NEW ISSUE — BOOK-ENTRY ONLY | **RATINGS:**
TAXABLE (FEDERAL), TAX-EXEMPT (CALIFORNIA) | **See "RATINGS" herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon existing laws, regulations, rulings and court decisions, interest on the 2001 Bonds is exempt from State of California personal income taxes ***Interest on the 2001 Bonds is not excludable from gross income for federal income tax purposes*** *Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2001 Bonds See "TAX MATTERS" herein*

$107,005,000
COUNTY OF CONTRA COSTA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS, REFUNDING SERIES 2001

Dated: Date of Delivery | **Due: June 1, as shown below**

The County of Contra Costa, California Taxable Pension Obligation Bonds, Refunding Series 2001 (the "2001 Bonds") are being issued to purchase and cancel pursuant to a tender offer program, and to advance refund (to maturity), a portion of the County of Contra Costa, California Taxable Pension Obligation Bonds, 1994 Series A (the "1994 Bonds") and to pay the costs of issuance relating to the 2001 Bonds See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein

The 2001 Bonds will be issued pursuant to the Trust Agreement, dated as of February 1, 1994, between the County of Contra Costa, California (the "County") and BNY Western Trust Company, as successor trustee (the "Trustee"), as supplemented by the First Supplemental Trust Agreement, dated as of March 1, 2001, between the County and the Trustee (together, the "Trust Agreement") The 2001 Bonds will be absolute and unconditional obligations imposed upon the County by law The 2001 Bonds will be payable on a parity basis with the 1994 Bonds and will not be limited as to payment to any special source of funds of the County

The 2001 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co , as nominee of The Depository Trust Company, New York, New York ("DTC") DTC will act as securities depository of the 2001 Bonds Individual purchases of 2001 Bonds will be made in book-entry form only Payments of principal of and interest on the 2001 Bonds are to be made to purchasers by DTC through DTC Participants Purchasers will not receive physical delivery of the 2001 Bonds purchased by them See "APPENDIX E — BOOK-ENTRY ONLY SYSTEM "

The 2001 Bonds will be issued initially in denominations of $5,000 or any integral multiple thereof Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2001

The scheduled payment of principal of and interest on the 2001 Bonds maturing on June 1 of the years 2011 through 2014 (the "Insured 2001 Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2001 Bonds by FINANCIAL SECURITY ASSURANCE INC

FSA

The 2001 Bonds are not subject to redemption prior to maturity

Payment Dates, Principal Amounts, CUSIP Numbers, Interest Rates and Prices or Yields
Base CUSIP Number: 212257

Payment Date (June 1)	Principal Amount	CUSIP Suffix	Interest Rate	Price or Yield
2001	$ 1,950,000	AZ2	5 20%	5 24%
2011	10,950,000	BA6	6 10	100
2012	29,505,000	BB4	6 15	6 19
2013	31,320,000	BC2	6 25	100
2014	33,280,000	BD0	6 25	6 28

THE 2001 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION NEITHER THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2001 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS WITH RESPECT TO THE 2001 BONDS CONSTITUTES A DEBT OR AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION

The 2001 Bonds are offered when, as and if issued and received by the Underwriter, and subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions Sperry Capital Inc , Sausalito, California, is serving as Financial Advisor to the County in connection with the issuance of the 2001 Bonds Certain legal matters will be passed upon for the County by County Counsel and for the Underwriter by its counsel, Fulbright & Jaworski L L P , Los Angeles, California It is expected that the 2001 Bonds will be available for delivery through the DTC book-entry system on or about March 20, 2001

BEAR, STEARNS & CO. INC.

THIS COVER PAGE CONTAINS INFORMATION FOR REFERENCE ONLY IT IS NOT A SUMMARY OF THIS TRANSACTION INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION

Dated: March 8, 2001

No dealer, broker, salesperson or other person has been authorized by the County of Contra Costa, California (the "County") or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2001 Bonds by any person in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale

This Official Statement is not to be construed as a contract with the purchasers of the 2001 Bonds Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the County, and includes information obtained from other sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE FOR THE INSURED 2001 BONDS" and the "SPECIMEN MUNICIPAL BOND INSURANCE POLICY FOR THE INSURED 2001 BONDS" in Appendix G hereto, none of the information in this Official Statement has been supplied or verified by Financial Security, and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2001 Bonds; or (iii) the status of the interest on the 2001 Bonds for federal and state purposes.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2001 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE 2001 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2001 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations are met or events, conditions or circumstances on which such statements are based occur.

County of Contra Costa, California

Board of Supervisors

Gayle B. Uilkema
(District 2)
Chair

John Gioia
(District 1)
(Vice-Chair)

Donna Gerber
(District 3)

Mark DeSaulnier
(District 4)

Federal Glover
(District 5)

County Officials

John R. Sweeten
Clerk of the Board and County Administrator

Laura W. Lockwood
Director, Capital Facilities and Debt Management

Kenneth J. Corcoran
Auditor-Controller

William J. Pollacek
Treasurer-Tax Collector

Silvano Marchesi
County Counsel

Stephen L. Weir
County Clerk-Recorder

Special Services

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Financial Advisor

Sperry Capital Inc.
Sausalito, California

Underwriter's Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Trustee

BNY Western Trust Company
San Francisco, California

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OFFICIAL STATEMENT

$107,005,000
COUNTY OF CONTRA COSTA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
REFUNDING SERIES 2001

INTRODUCTORY STATEMENT

This Introductory Statement is subject in all respects to the more complete information set forth in this Official Statement, including the cover page and the appendices hereto (the "Official Statement"). The descriptions and summaries of various documents herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. For definitions of certain terms used but not otherwise defined herein, see "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" attached hereto.

The purpose of this Official Statement is to provide certain information concerning the issuance, sale and delivery of the County of Contra Costa, California Taxable Pension Obligation Bonds, Refunding Series 2001 (the "2001 Bonds"), in the aggregate principal amount of $107,005,000.

Pursuant to Section 31584 of the County Employees Retirement Law of 1937, as amended (the "Retirement Law"), the Board of Supervisors (the "Board of Supervisors") of the County of Contra Costa, California (the "County") is obligated to appropriate and make payments to the County of Contra Costa Employees' Retirement Fund (the "Retirement Fund") arising as a result of retirement benefits accruing to members of the County of Contra Costa Employees' Retirement Association (the "Association"), including any unfunded accrued actuarial liability with respect to such benefits. In respect of the statutory obligation of the County to make such payments, in 1994 the County executed a debenture, dated as of March 1, 1994, in favor of the Association (the "Debenture"). Also in 1994, the County issued $337,365,000 of County of Contra Costa, California Taxable Pension Obligation Bonds, 1994 Series A (the "1994 Bonds," and together with the 2001 Bonds, the "Bonds") pursuant to a trust agreement, dated as of February 1, 1994 (the "Original Trust Agreement"), in order to refund the obligation of the County to the Association evidenced by the Debenture and to provide a payment obligation with an effective interest rate lower than the rate then charged to the County on its then current unfunded accrued actuarial liability. As of January 1, 2001, $302,275,000 of 1994 Bonds were outstanding. Immediately following the issuance of the 2001 Bonds, $205,635,000 of 1994 Bonds will be outstanding.

The 2001 Bonds are being issued to purchase and cancel $87,140,000 of the 1994 Bonds, pursuant to a tender offer program, to advance refund (to maturity) $9,500,000 of the 1994 Bonds, and to pay costs of issuance relating to the 2001 Bonds. The 2001 Bonds are being issued pursuant to the Original Trust Agreement and the First Supplemental Trust Agreement thereto, dated as of March 1, 2001 (together, the "Trust Agreement"), between the County and BNY Western Trust Company, as successor trustee (the "Trustee"). Issuance of the 2001 Bonds was approved by a resolution of the Board of Supervisors adopted on February 6, 2001. The 2001 Bonds will be payable on a parity with the 1994 Bonds and any Additional Bonds hereafter issued by the County. See "DESCRIPTION OF THE 2001 BONDS – Additional Bonds" herein.

THE COUNTY'S OBLIGATION WITH RESPECT TO THE 2001 BONDS IS AN ABSOLUTE AND UNCONDITIONAL OBLIGATION IMPOSED UPON THE COUNTY BY LAW AND ENFORCEABLE AGAINST THE COUNTY PURSUANT TO THE RETIREMENT LAW AND IS NOT LIMITED AS TO PAYMENT TO ANY SPECIAL SOURCE OF FUNDS OF THE COUNTY. THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2001 BONDS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2001 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS WITH RESPECT TO THE 2001 BONDS CONSTITUTES A DEBT OR AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

DESCRIPTION OF THE 2001 BONDS

General

The 2001 Bonds will be dated their date of delivery, will bear interest at the rates and mature on the dates set forth on the cover of this Official Statement and will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be payable on June 1 and December 1 of each year (each an "Interest Payment Date"), commencing June 1, 2001. Interest will be calculated on a basis of a 360-day year consisting of twelve 30-day months.

Book-Entry Only System

The 2001 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2001 Bonds. Ownership interests in the 2001 Bonds may be purchased in book-entry form only. Beneficial Owners (as defined herein) of the 2001 Bonds will not receive physical certificates representing the 2001 Bonds purchased, but will receive a credit and balance on the books of DTC. The 2001 Bonds will not be transferable, except for transfer to DTC, another nominee of DTC, a successor Securities Depository or a nominee of such successor Securities Depository. The principal of and interest on the 2001 Bonds will be paid by the Trustee to DTC, or its nominee, which will in turn remit such amounts to its participants for subsequent disbursement to the Beneficial Owners of the 2001 Bonds as described herein. So long as Cede & Co. is the registered owner of the 2001 Bonds, as nominee of DTC, references herein to Bondowners or registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" attached hereto.

No Redemption of 2001 Bonds

The 2001 Bonds are not subject to redemption prior to maturity.

Additional Bonds

The County may at any time issue Additional Bonds on a parity with the Bonds but only subject to certain conditions including, but not limited to, the County's compliance with all agreements and covenants contained in the Trust Agreement and the provision of an authorized Supplemental Trust Agreement specifying, among other things, that the Additional Bonds are being issued (i) for the purpose of satisfying any obligation to make payments to the Association pursuant to the Retirement Law, and/or for payment of all costs incidental to the issuance of Additional Bonds, and/or (ii) for the purpose of refunding Bonds, including payment of all costs incidental to such refunding. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Additional Bonds" attached hereto.

PLAN OF FINANCE

The 2001 Bonds are being issued to purchase and cancel, pursuant to a tender offer program, and to advance refund (to maturity), a portion of the 1994 Bonds and to pay costs of issuance relating to the 2001 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. By purchasing and refunding a portion of the 1994 Bonds, the County will restructure the amortization schedule of the Bonds (including the 2001 Bonds) to a final maturity date of June 1, 2014 and achieve a more level annual debt service pattern.

On February 15, 2001, the County sent an invitation to Owners of the 1994 Bonds to tender their 1994 Bonds to the County for purchase (the "Invitation"). The County intends to use proceeds of the 2001 Bonds (i) to purchase and cancel, on the day the 2001 Bonds are issued, $87,140,000 of the 1994 Bonds that were tendered pursuant to the Invitation at prices acceptable to the County and (ii) to advance refund (to maturity) $9,500,000 of the 1994 Bonds.

The 2001 Bond proceeds used to refund to maturity a portion of the 1994 Bonds will be deposited into an escrow fund (the "Escrow Fund") established by the Escrow Agreement, dated as of March 1, 2001 (the "Escrow Agreement"), between the County and BNY Western Trust Company, as escrow agent. The County intends to execute a gross funded forward sale agreement with The Chase Manhattan Bank pursuant to which the escrow requirements will be funded from $10,255,000 of proceeds of the 2001 Bonds and $2,460,380 of cash received from The Chase Manhattan Bank which will immediately be used to purchase eligible securities in an amount sufficient to satisfy the timely payment of all principal of and interest on the 1994 Bonds that are advance refunded. See "DEBT SERVICE REQUIREMENTS" and "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2001 Bonds are estimated to be applied as set forth in the following table.

Estimated Sources of Funds	
Principal Amount of 2001 Bonds	$107,005,000
Less Original Issue Discount	(190,981)
Total Estimated Sources	$106,814,019
Estimated Uses of Funds	
Purchase of 1994 Bonds	$ 94,943,889
Deposit to Escrow Fund	10,255,000
Costs of Issuance[1]	1,615,130
Total Estimated Uses	$106,814,019

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[1] Includes fees of the Dealer Manager for the tender offer program, the Underwriter, Bond Counsel, the Financial Advisor and the Trustee, the municipal bond insurance premium, other fees relating to the tender offer program, and other costs of issuance

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Obligation Imposed by Law; Deposits to Trustee

The obligation of the County to make payments with respect to the Bonds is an absolute and unconditional obligation of the County imposed upon the County by law and enforceable against the County pursuant to the Retirement Law. Payment of principal of, premium, if any, and interest on the Bonds is not limited to any special source of funds.

The Trust Agreement requires the County to deposit or cause to be deposited with the Trustee the amount which, together with any moneys transferred from the Surplus Account, will be sufficient to pay the County's obligations on the Bonds (including the 2001 Bonds) for each fiscal year within 30 days of the commencement of such fiscal year. If the Trustee determines, at any time after such deposit, that insufficient funds are held in the Bond Fund established by the Trust Agreement to pay principal of and interest on the Bonds estimated to be due in such fiscal year, the Trust Agreement requires the Trustee to notify the County promptly of such deficiency, and the County is required to make the necessary deposit to eliminate such deficiency.

In the event the Board of Supervisors fails or neglects to make appropriations and transfers in respect of its obligation to pay the Bonds, the Retirement Law requires that the County Auditor transfer from any money available in any fund in the County treasury amounts necessary to make such payments, with such transfer having the same force and effect as an appropriation by the Board of Supervisors. No assurance can be given as to the amount and source of funds available in the County treasury for such transfer at any particular time.

The 2001 Bonds will be payable on a parity with the 1994 Bonds and any Additional Bonds hereafter issued by the County.

THE 2001 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2001 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS WITH RESPECT TO THE 2001 BONDS CONSTITUTES A DEBT OR AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Bond Insurance

As further security, payment of the principal of and interest on the 2001 Bonds maturing on June 1 of the years 2011 through 2014, inclusive, will be guaranteed by a municipal bond insurance policy to be issued by Financial Security Assurance. See "BOND INSURANCE FOR THE INSURED 2001 BONDS."

BOND INSURANCE FOR THE INSURED 2001 BONDS

Bond Insurance Policy

Concurrently with the issuance of the 2001 Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the 2001 Bonds maturing on June 1 of the years 2011 through 2014, inclusive (the "Insured 2001 Bonds") (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Insured 2001 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY FOR THE INSURED 2001 BONDS" attached hereto.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2000, Financial Security's total policyholders' surplus and contingency reserves were approximately $1,372,337,000 and its total unearned premium reserve was approximately $693,512,000 in accordance with statutory accounting principles. At September 30, 2000, Financial Security's total shareholder's equity was approximately $1,383,058,000 and its total net unearned premium reserve was approximately $571,460,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Insured 2001 Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Insured 2001 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Insured 2001 Bonds or the advisability of investing in the Insured 2001 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the County the information presented under this caption for inclusion in the Official Statement.

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DEBT SERVICE REQUIREMENTS

The debt service requirements for the Bonds (excluding the 1994 Bonds that are advance refunded and that are purchased and cancelled pursuant to the County's tender offer program described above under "PLAN OF FINANCE") are as follows:

TOTAL DEBT SERVICE REQUIREMENTS FOR THE BONDS

	Remaining 1994 Bonds		2001 Bonds		Total	
Payment Date	Principal Payment	Interest Payments	Principal Payment	Interest Payments	Semi-Annual Debt Service Payments	Annual Debt Service Payments
June 1, 2001	$13,350,000	$6,830,858	$1,950,000	$1,305,889	$23,436,746	$23,436,746
December 1, 2001		6,417,008		3,260,004	9,677,011	
June 1, 2002	15,915,000	6,417,008	-	3,260,004	25,592,011	35,269,023
December 1, 2002		5,915,685		3,260,004	9,175,689	
June 1, 2003	16,915,000	5,915,685	-	3,260,004	26,090,689	35,266,378
December 1, 2003		5,374,405		3,260,004	8,634,409	
June 1, 2004	18,000,000	5,374,405	-	3,260,004	26,634,409	35,268,818
December 1, 2004		4,789,405		3,260,004	8,049,409	
June 1, 2005	14,485,000	4,789,405	-	3,260,004	22,534,409	30,583,818
December 1, 2005		4,315,021		3,260,004	7,575,025	
June 1, 2006	17,730,000	4,315,021	-	3,260,004	25,305,025	32,880,050
December 1, 2006		3,725,499		3,260,004	6,985,503	
June 1, 2007	21,295,000	3,725,499	-	3,260,004	28,280,503	35,266,005
December 1, 2007		3,012,116		3,260,004	6,272,120	
June 1, 2008	22,725,000	3,012,116	-	3,260,004	28,997,120	35,269,240
December 1, 2008		2,233,785		3,260,004	5,493,789	
June 1, 2009	24,280,000	2,233,785	-	3,260,004	29,773,789	35,267,578
December 1, 2009		1,402,195		3,260,004	4,662,199	
June 1, 2010	24,195,000	1,402,195	-	3,260,004	28,857,199	33,519,398
December 1, 2010		573,516		3,260,004	3,833,520	
June 1, 2011	16,745,000	573,516	10,950,000	3,260,004	31,528,520	35,362,040
December 1, 2011		-		2,926,029	2,926,029	
June 1, 2012	-	-	29,505,000	2,926,029	32,431,029	35,357,058
December 1, 2012		-		2,018,750	2,018,750	
June 1, 2013	-	-	31,320,000	2,018,750	33,338,750	35,357,500
December 1, 2013		-		1,040,000	1,040,000	
June 1, 2014	-	-	33,280,000	1,040,000	34,320,000	35,360,000
TOTAL	$205,635,000	$82,348,128	$107,005,000	$78,475,521	$473,463,649	$473,463,649

COUNTY INFORMATION

For a discussion of certain economic and demographic information about the County, see "APPENDIX A – GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION" attached hereto. For certain financial information about the County, see "APPENDIX B – COUNTY FINANCIAL INFORMATION" and "APPENDIX C – EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2000" attached hereto.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, as amended, limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness and on bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities approved by 55 percent of the voters voting on the proposition.

Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation. Article XIII permits reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors and provides that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B of the California Constitution

On October 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978/79 fiscal year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990/91 each appropriations limit must be recalculated using the actual 1986/87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitations of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (i) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (ii) the investment of tax revenues, and (iii) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess must be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs. Appropriations for "qualified capital outlays" are excluded from the limits of Proposition 111.

For Fiscal Year 2000-2001, the County's Article XIII B limit is estimated to be $3,584,519,056 and budget appropriations subject to limitation are estimated to be $183,748,841. The County has never exceeded its Article XIII B appropriations limit and does not anticipate having any difficulty in operating within the appropriations limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 likely will be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax that the County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5,

1996. The County believes that no existing County-imposed taxes deposited into its General Fund will be affected by the voter approval requirements of Proposition 218, although as indicated below certain tax levies may be affected by Proposition 62. The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges that are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. The County anticipates that in Fiscal Year 2000-2001 it will collect no such fees and assessments. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. If such reduction or repeal occurs, the County's ability to repay the 2001 Bonds could be adversely affected.

Proposition 62

On September 28, 1995, the California Supreme Court affirmed the lower court decision in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995). The action held invalid a half-cent sales tax to be levied by the Santa Clara County Local Transportation Authority because it was approved by a majority but not two-thirds of the voters in Santa Clara County voting on the tax. The California Supreme Court decided the tax was invalid under Proposition 62, a statutory initiative adopted at the November 4, 1986 election that (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988, and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

The County has two taxes to which Proposition 62 could apply: a business license tax enacted in 1991, which generates approximately $950,000 per year, and a transient occupancy tax, an increase in which was enacted in 1990, that generates approximately $1,200,000 per year (approximately $180,000 per year of which is from the 1990 increase).

Future Initiatives and Changes of Law

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Proposition 62 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the County's revenues. In addition, the State legislature could amend or enact laws resulting in a reduction of moneys available to the County. Similarly, the State legislature could enact legislation with the approval of the electorate amending the State Constitution, which could result in a reduction of moneys available to the County.

Limitations on Remedies

The rights of the Bondowners are subject to the limitations on legal remedies against counties in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the 2001 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income taxes purposes of interest on the 2001 Bonds or regarding any other federal or state tax consequences relating to the accrual or receipt of interest on the 2001 Bonds. NO ATTEMPT HAS BEEN OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES OF INTEREST ON THE 2001 BONDS. Interest on the 2001 Bonds is *not* excludable from gross income for federal income tax purposes. A copy of the proposed form of Bond Counsel opinion is set forth in Appendix H attached hereto.

Although Bond Counsel has rendered an opinion that interest on the 2001 Bonds is exempt from California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2001 Bonds may otherwise affect a Bondowner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Bondowner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

APPROVAL OF LEGALITY

Validation Proceedings

On November 12, 1993, the County, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Contra Costa seeking judicial validation of the transactions relating to the issuance of the Debenture and the 1994 Bonds and certain other matters (*The County of Contra Costa vs. All Persons Interested, etc.,* Case No. C93-05180). On December 22, 1993, the court entered a default judgment to the effect, among other things, that the Debenture, the 1994 Bonds and the Original Trust Agreement are valid, legal and binding obligations of the County in accordance with their terms and were and are in conformity with applicable provisions of all laws. The judgment also covers Additional Bonds (such as the 2001 Bonds) and supplemental trust agreements (such as the First Supplemental Trust Agreement). The time period for the filing of appeals with respect to the judgment has expired and no appeals were filed. Therefore, the judgment has become final and unappealable. In issuing its opinion, Bond Counsel has relied, among other things, upon the above-described validation of proceedings.

Opinions of Counsel

The validity of the 2001 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, fairness or completeness of this Official Statement. A copy of the proposed form of Bond Counsel opinion is set forth in Appendix H attached hereto. Certain legal matters will be passed upon for the County by County Counsel and for the Underwriter by its counsel, Fulbright & Jaworski L.L.P., Los Angeles, California.

LITIGATION

The County is not aware of any action, suit or proceeding pending or threatened, challenging the legality or enforceability of the Trust Agreement or restraining or enjoining the issuance of the 2001 Bonds, or the execution and delivery of the First Supplemental Trust Agreement, or in any way contesting or affecting the legality, enforceability or validity of any of the foregoing or any proceedings of the County taken with respect to any of the foregoing.

CONTINUING DISCLOSURE

The County will undertake responsibilities for any continuing disclosure to Owners of the 2001 Bonds as described below.

The County will enter into a Continuing Disclosure Agreement, to be dated the date of delivery of the 2001 Bonds (the "Continuing Disclosure Agreement"), which provides for certain disclosure obligations on the part of the County. Under the Continuing Disclosure Agreement, the County will covenant for the benefit of Owners and Beneficial Owners of the 2001 Bonds to provide certain financial information and operating data relating to the County by not later than nine months after the end of its fiscal year (which fiscal year currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2001 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The Annual Report is to be filed with each Nationally Recognized Municipal Securities Information Repository and with any then-existing State Repository for the State of California. Currently, there is no State Repository for the State of California. The notices of Listed Events are to be filed with the Municipal Securities Rulemaking Board. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The County has not failed to comply with any prior such undertaking under the Rule. See "APPENDIX F – PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") are expected to assign to the Insured 2001 Bonds the ratings of "Aaa" and "AAA," respectively, with the understanding that upon the delivery of the 2001 Bonds, a municipal bond insurance policy insuring the payment when due of the principal of and interest on the Insured 2001 Bonds will be issued by Financial Security Assurance Inc. Moody's and S&P have assigned to the uninsured 2001 Bonds maturing on June 1, 2001 the ratings of "Aa3" and "AA-," respectively. Any explanation of the significance of these ratings may only be obtained from the rating agencies furnishing such ratings. The County furnished to Moody's and S&P certain information and materials concerning the 2001 Bonds and the County. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that any rating assigned to the 2001 Bonds by a rating agency will be maintained for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. Neither the County nor the Underwriter has undertaken any responsibility either to bring to the attention of the Owners of the 2001 Bonds any proposed change in or withdrawal of such ratings or to oppose any such proposed change or withdrawal. Any such downward change in or withdrawal of the ratings may have an adverse effect on the market price of the 2001 Bonds.

UNDERWRITING

The 2001 Bonds will be purchased for reoffering by Bear, Stearns & Co. Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2001 Bonds at a purchase price of $105,898,535.58, which amount is comprised of the par amount of the 2001 Bonds of $107,005,000, less original issue discount of $190,980.75, less underwriting and dealer manager fees and expenses of $915,483.67. The Bond Purchase Contract provides that the Underwriter will purchase all of the 2001 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the 2001 Bonds is subject to various conditions contained in the Bond Purchase Contract.

The Underwriter will offer the 2001 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which may subsequently change without any prior notice. The Underwriter reserves the right to offer and sell the 2001 Bonds to certain dealers (including dealers depositing the 2001 Bonds into investment trusts) at prices lower than the public offering price.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations regarding the adequacy of the cash flow generated by the securities and cash, if any, to be held in the Escrow Fund to pay when due the principal of and interest on any 1994 Bonds that are advance refunded to maturity will be verified by Causey, Demgen & Moore Inc. of Denver, Colorado, an independent certified public accountant.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective purchasers of the 2001 Bonds. Summaries and explanations of the 2001 Bonds, the Trust Agreement and the Continuing Disclosure Agreement and the statutes and other documents contained herein do not purport to be complete, and reference is made to such documents and statutes for a full and complete statement of their provisions This Official Statement is not to be construed as a contract between the County and any purchasers or Owners of the 2001 Bonds.

The County regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any Owner of a 2001 Bond may obtain a copy of any such report, as available, from the County by writing to Director, Capital Facilities and Debt Management, County Administrator's Office, 651 Pine Street, 6th Floor, Martinez, California 94553-0063, or by calling (925) 335-1093

Preparation of this Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

COUNTY OF CONTRA COSTA,
CALIFORNIA

County Administrator and Clerk
of the Board of Supervisors

APPENDIX A

GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX A

GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County of Contra Costa, California (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers about 733 square miles and extends from the northeastern shore of San Francisco Bay easterly about 50 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial and light industrial. The County contains 19 incorporated cities, including Richmond in the west, Oakley in the northeast, and Concord in the middle.

A large part of the County is served by the Bay Area Rapid Transit District ("BART"), which has encouraged the expansion of both residential and commercial development In addition, economic development along the Interstate 680 corridor in the County has been substantial and has accounted for significant job creation in the Cities of Concord, Walnut Creek and San Ramon.

For a discussion of the current energy shortage in California, see "APPENDIX B – COUNTY FINANCIAL INFORMATION – 2001-02 Fiscal Year State Proposed Budget – California Energy Shortage."

County Government

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected to a four-year term, serves as the County's legislative body Also elected are the County Assessor, Auditor-Controller, Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner and Treasurer-Tax Collector. A County Administrator appointed by the Board of Supervisors runs the day-to-day business of the County. The Board of Supervisors recently announced the appointment of John R. Sweeten as the new County Administrator, effective March 2, 2001.

Population

The County is the ninth most populous county in California, with its population reaching approximately 930,000 as of January 1, 2000. This represents an increase of approximately 16% compared to the County's population in 1990. The availability of rapid transit, close proximity to major employment hubs in San Francisco and Oakland, and relatively affordable existing and new housing have combined to attract more residents to the County over the past decade.

While population grew in every city in the County during the 1990s, population growth has been strongest in unincorporated areas as well as in the eastern portion of the County, particularly in Antioch, Brentwood and Clayton.

The following is a summary of the County's population levels since 1960.

COUNTY OF CONTRA COSTA
POPULATION[1]

	1960	1970	Special Census 1975	1980	1990	2000
Antioch	17,305	28,060	33,215	42,683	62,195	84,500
Brentwood	2,186	2,649	3,662	4,434	7,563	23,100
Clayton	--	1,385	1,790	4,325	7,317	11,350
Concord	36,208	85,164	94,673	103,763	111,308	114,900
Danville*	--	--	--	26,143	31,306	40,500
El Cerrito	25,437	25,190	22,950	22,731	22,869	23,850
Hercules	310	252	121	5,963	16,829	19,550
Lafayette	--	20,484	19,628	20,837	23,366	24,350
Martinez	9,604	16,506	18,702	22,582	31,810	37,050
Moraga	--	14,205	14,418	15,014	15,987	17,000
Orinda*	--	--	--	17,070	16,642	17,450
Pinole	6,064	15,850	15,337	14,253	17,460	18,650
Pittsburg	19,062	20,651	24,347	33,465	47,607	54,400
Pleasant Hill	--	24,610	25,398	25,547	31,583	33,150
Richmond	71,584	79,043	70,126	74,676	86,019	94,400
San Pablo	19,687	21,461	19,392	19,750	25,158	26,850
San Ramon*	--	--	--	20,511	35,303	45,700
Walnut Creek	9,903	39,844	46,034	54,033	60,569	64,700
Unincorporated	191,680	163,035	173,036	128,551	152,841	178,600
Total	409,030	558,389	582,829	656,331	803,732	930,000
California	15,717,204	18,136,045	21,185,000	23,668,145	29,758,213	34,336,000

(1) Totals may not equal sums due to independent rounding; official data not yet available for the City of Oakley which incorporated in 1999

* Dates of incorporation: Danville (7/1/82); Orinda (7/1/85); San Ramon (7/1/83); the 1990 Census Report created 1980 population levels for these cities prior to official incorporation

Source: United States Census: 1960-1990; State Department of Finance: 2000

Industry and Employment

The County has one of the fastest growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. The County has experienced an immigration of white-collar jobs due to the relocation of companies from costlier locations in the Bay Area. The combined impact of population growth and immigration has resulted in significant job creation in the County, with the 1999 job base of 328,400 having grown about 15% since 1993.

As shown below, the County's civilian labor force was 489,300 in 1999. With average 1999 unemployment rates of 3.0% and 5.2% for the County and the State, respectively, the County has achieved a lower unemployment rate than the State in each of the past seven years.

COUNTY OF CONTRA COSTA
EMPLOYMENT AND UNEMPLOYMENT OF
RESIDENT LABOR FORCE
WAGE AND SALARY WORKERS BY INDUSTRY
ANNUAL AVERAGES (IN THOUSANDS)

	1993	1994	1995	1996	1997	1998	1999
Civilian Labor Force[1]	448.5	454 0	456.0	460.5	472.8	479 0	489.3
Employment	419.4	426.0	429.9	437.9	453.2	461 6	474.5
County Unemployment	29.1	28.0	26.1	22.6	19.6	17.3	14.8
Unemployment Rate:							
County	6.5%	6.2%	5.7%	4.9%	4.1%	3.8%	3.0%
State of California	9.4%	8.6%	7 8%	7.2%	6.3%	5.9%	5.2%
Wage and Salary Employment[2]	1993	1994	1995	1996	1997	1998	1999
Agriculture	1.3	1 2	1.0	1.0	1.1	0 9	0.8
Mining and Construction	19.8	19.8	19 7	20.5	22.1	23 3	26.9
Manufacturing	28.8	27.2	26.6	26.0	26.0	25.6	23.9
Transportation and Public Utilities	18.8	20.2	20.3	19.8	20.4	20.1	20.1
Wholesale Trade	10.2	10.5	10 6	11.8	11.3	11.0	12.5
Retail Trade	56.5	56.2	56.1	56.2	57.4	59.2	59.7
Finance, Insurance, and Real Estate	29.0	28.4	26.7	26.0	27.9	28.1	28.9
Services	76.4	81.0	86.7	91.1	98.9	103.8	108 5
Government	44.0	44.8	45.1	45.3	45.6	45.5	47.1
Total[3]	284 8	289.3	292.7	297 7	310.8	317 6	328 4

(1) Based on place of residence
(2) Based on place of work
(3) "Total" may not be precise due to independent rounding
Source: State of California, Employment Development Department, Labor Market Information Division, March 1997 benchmark

Major Employers

Major industries in the County include petroleum refining, telecommunications, financial and retail services, steel manufacturing, prefabricated metals, chemicals, electronic equipment, paper products and food processing. Most of the County's heavy manufacturing is located along the County's northern boundary fronting on the Suisun and San Pablo Bays leading to San Francisco Bay and the Pacific Ocean. Descriptions of major employers in selected industries follow

Petroleum and Petroleum Products. The production of petroleum products formed the initial basis of industrial development in the County. Currently, three companies manufacture products from crude oil. The largest in terms of capacity is Chevron Corporation's Richmond Refinery, which began operations in 1902 and is the company's oldest and third-largest refinery. The Richmond refinery, located on 3,000 acres, has a capacity of 365,000 barrels per day The refinery produces a complete line of petroleum products and imports the bulk of the crude oil from Alaska. Shipping facilities include the company's own wharf, which is capable of handling four tankers at a time, making it the largest in the Bay Area in terms of tonnage. Chevron operates a fleet of 37 tankers, of which seven are for intrastate business. Petroleum products are also shipped by truck and by two railroad carriers as well as distributed by pipeline. The company has completed construction of a $160 million natural-gas-fired cogeneration plant to fulfill its requirements for electricity and steam.

A number of Chevron's divisions are located throughout the County. Chevron Products Company is located in Richmond where approximately 1,500 employees work at an oil refinery and management office. Chevron Research and Technology Company, located in Richmond, is the only non-geological research arm of the company. This facility employs approximately 400 people and is used by Chevron in its continuing program to improve the efficiency of conventional auto, aircraft and marine fuels. Chevron Accounting Division is located in a 400,000 square-foot building in Concord where over 1,000 employees operate the accounting and credit card center for Chevron's entire domestic operations. Chevron also operates a facility in San Ramon where approximately 2,100 employees are involved in computer, marketing, consumer services and other administrative functions and in Walnut Creek where approximately 250 employees work in various divisions.

Chevron is the fifth largest company in the San Francisco Bay Area (as measured by net income) and is one of the largest employers in the County. The company has approximately 6,500 employees located among its various facilities in the County and East Bay communities.

Shell Oil Company, which recently merged with Texaco to become Equilon Enterprises LLC ("Equilon"), began operating in Martinez in 1915. The Martinez Refining Company, located on 1,100 acres, is a combined oil refinery and industrial chemical production plant. It is one of three facilities on the West Coast that supply all Shell-brand products to the western states. The complex currently has the capacity to process about 145,000 to 160,000 barrels of crude oil per day. Approximately 70%-80% of this crude oil is transferred via the company's pipeline from California oil fields, while the remainder is shipped from Alaska. Equilon's docking facilities can handle two tankers and two barges simultaneously. Finished petroleum products are shipped via a company owned pipeline, Southern Pacific Railroad's pipeline, rail car and truck.

Equilon employees in the County total approximately 900, of whom approximately 850 work at the Martinez complex and approximately 50 work from their homes to provide marketing services to Shell and Texaco gas stations.

Tosco Refining Company, a wholly owned subsidiary of Tosco Corporation ("Tosco"), operates an oil refinery at Rodeo between the cities of Richmond and Martinez, and a distribution terminal for Northern California at Richmond, which began operations in 1896, occupies 1,100 acres and processes up to 100,000 barrels of raw materials per day. There are approximately 600 full-time employees at the refinery and approximately 75 at the distribution terminal. Tosco also owns a carbon plant on Franklin Canyon Road near Highway 4 in the County and until recently owned a refinery with a capacity of 150,000 barrels per day at Avon near Martinez. Total Tosco employment in the County is approximately 1,200. Tosco shut down the Avon refinery in March 1999 following an explosion that claimed the lives of four employees. On April 27, 1999, the company announced that it would reopen the refinery as well as adopt all 72 recommendations in a consulting firm's critical safety report on the plant. The refinery reopened in June 1999. Prior to the Avon refining accident, Tosco had announced a major restructuring of its San Francisco Area Refinery Complex, which includes the facilities in Richmond and Rodeo. This restructuring will affect production capacity but is not expected to have a major impact on employment. Recently, Tosco sold the Avon refinery to Ultramar Diamond Shamrock Corporation for approximately $800 million. The new owners have retained outside experts to study the condition of the plant and to assure that safety measures recommended by consultants for the County have been implemented. Ultramar Diamond Shamrock Corporation expects to increase production at the refinery.

In order to comply with State and federal clean air laws, the County's major oil refineries have built new facilities to produce cleaner gasoline and other products. The refinery projects are known as "Clean Fuels Projects." The following are the locations and capital investment amounts undertaken for each of the Clean Fuels Projects.

County of Contra Costa
Clean Fuels Projects
(as of December, 2000)
(in millions)

Company	City	Investment
Chevron Corp.	Richmond	$ 500
Tosco	Avon	400
Equilon	Martinez	1,300
Tosco	Rodeo	300
Total		$2,500

Source: County.

Health Care. One of the Bay Area's largest private employers, Kaiser Permanente Medical Group ("Kaiser"), has approximately 4,730 employees in the County and East Bay communities. Kaiser provides medical coverage to about one in three Bay Area residents and operates hospital and clinic facilities in Martinez, Antioch and Walnut Creek and opened a major facility in Richmond in 1999

Telephone Services. SBC (formerly known as Pacific Telesis), a major provider of telephone services, employs approximately 11,800 employees in the East Bay. Its headquarters in the East Bay is located in the Bishop Ranch office complex in the County

The following table provides a listing of major employers headquartered or located in the East Bay and their employment levels.

MAJOR EMPLOYERS IN THE EAST BAY
WITH EMPLOYEES IN THE COUNTY(1)

FIRM	PRIMARY LOCATION IN COUNTY	PRODUCT OR SERVICE	EMPLOYMENT
SBC	San Ramon	Telephone Services	11,800
U S. Postal Service	Countywide	Postal Services	10,600
County of Contra Costa(2)	Martinez	County Government	8,090
Safeway	Countywide	Supermarkets	8,000
Bank of America	Countywide	Banking	7,081
Chevron Companies	Countywide	Energy, Oil & Gas	6,586
Pacific Gas & Electric	Countywide	Gas & Electric Service	5,200
Kaiser Permanente Medical Center(2)	Walnut Creek, Martinez	Health Care	4,730
Lucky Stores	Countywide	Supermarkets	4,631
Wells Fargo & Co.	Countywide	Banking	4,000
AT&T	Countywide	Telecommunications	3,341
Longs Drug Stores(2)	Walnut Creek	Retail Drug Stores	2,900
Western Contra Costa School District(2)	Richmond	K-12 Education	2,844
Mt. Diablo Unified School District (2)	Concord	K-12 Education	2,502
John Muir/Mt. Diablo Health System(2)	Walnut Creek	Health Care	2,170
Contra Costa Newspapers(2)	Walnut Creek	Newspaper Publishing	1,417
Round Table Franchise Corp.	Countywide	Pizza Restaurants	1,230
Tosco	Martinez	Oil Refinery	1,200
Hill Physicians Med. Group	Countywide	Health Care	1,050
USS Posco Industries	Pittsburg	Steel Manufacturing	1,000
Shell Martinez Refining Co.	Martinez	Oil Refinery	930

(1) Source: The companies; East Bay Business Times, November 2000; San Francisco Business Times, November 1999 Data is for the reported entity's latest fiscal year
(2) Headquartered in the County

Measures of Income

Due to the presence of relatively high-wage skilled jobs and relatively high income residents, the County achieves high rankings among all California counties on a variety of income measurements. For example, as reported in the 1999 *Sales and Marketing Management Survey of Buying Power,* the County's median household effective buying income for the 1998 calendar year of $49,645 was in the top four among all California counties. According to the U.S Department of Commerce's Bureau of Economic Analysis, the County's per capita personal income of $33,869 in 1997 was the fifth highest among California counties. The medians for the State were $36,483 (1998 household effective buying income) and $25,288 (1997 per capita personal income).

Commercial Activity

Commercial activity comprises an important part of the County's economy, with taxable transactions totaling approximately $11.1 billion in 1999.

COUNTY OF CONTRA COSTA
TAXABLE TRANSACTIONS
1994 TO 1999
(IN THOUSANDS)

	1994	1995	1996	1997	1998	1999
Apparel Stores	$ 263,835	$ 246,879	$ 261,695	$ 277,962	$ 289,750	$ 304,915
General Merchandise Stores	1,166,204	1,223,187	1,213,152	1,283,994	1,379,504	1,467,490
Specialty Stores	754,092	817,531	890,623	957,508	1,070,135	1,259,681
Food Stores	428,585	433,694	458,877	478,924	486,580	509,062
Packaged Liquor Stores	38,242	39,972	42,925	44,700	48,261	54,563
Eating and Drinking Places	563,770	591,767	625,283	664,184	708,982	764,682
Home Furnishings and Appliances	270,691	283,020	323,400	333,179	366,400	414,384
Building Materials and Farm Implements	492,850	493,436	543,324	591,710	643,052	749,681
Service Stations	507,073	551,686	538,840	780,857	922,502	669,467
Automotive and Vehicle Dealers, Parts and Supplies	868,095	927,563	1,046,980	1,143,170	1,308,493	1,524,336
Total Retail Outlets	$5,353,437	$5,608,735	$5,945,099	$6,556,188	$7,223,699	$7,718,261
Business and Personal Services	$ 326,664	$ 330,063	$ 365,029	$ 407,816	$ 442,696	$ 467,124
All Other Outlets	2,138,064	2,400,957	2,265,576	2,313,414	2,869,991	2,929,091
Total All Outlets	$7,818,165	$8,339,755	$8,575,704	$9,277,418	$10,093,690	$11,114,476

Source State Board of Equalization

Much of the County's commercial activity is concentrated in central business districts of the cities and unincorporated towns In addition, four regional shopping centers and numerous smaller centers serve County residents The regional centers, located in the cities of Richmond, Concord, Walnut Creek and Antioch are each anchored by at least three major department stores. The largest regional shopping center in the County is Sun Valley Shopping Center, Concord, which features 130 stores, including Macy's, Sears, J.C. Penney's and Mervyn's. In addition, Costco's large warehouse stores are located in Richmond, Antioch and Danville, and Sam's Club is located in Concord.

The County is served by all major banks including Bank of America and Wells Fargo Bank. In addition there are numerous local banks and branches of smaller California and foreign banks. There are over 30 savings and loan associations in the County, including Washington Mutual, World Savings and California Federal.

Construction Activity

The value of residential building activity rose in 1999 to the highest level in a decade The overall increase was attributable to gains in both single and multi-family units.

Within incorporated cities in the County, Brentwood accounted for the greatest activity with $179.5 million of construction in 1999.

The following table provides a summary of building permit valuations and number of new dwelling units authorized in the County since 1990.

COUNTY OF CONTRA COSTA
BUILDING PERMIT VALUATIONS 1990 TO 1999

Year	Valuation ($ millions) Residential (New)	Number of New Dwelling Units Single Family	Multiple Family	Total
1990	$560,193	3,132	1,149	4,281
1991	488,939	2,705	1,275	3,980
1992	638,714	3,279	614	3,893
1993	590,135	3,026	451	3,477
1994	699,395	3,682	230	3,912
1995	619,685	2,137	618	3,755
1996	584,108	3,094	450	3,580
1997	582,793	3,105	381	3,486
1998	738,939	3,144	999	4,142
1999	852,256	3,909	504	4,413

Note: Totals may not be precise due to independent rounding
Source: Economic Sciences Corporation: 1990 - 1999

A number of major construction projects have been completed in the County, including $2.5 billion that was spent by several major oil refiners to comply with federal clean fuels guidelines (see "Major Employers – Petroleum and Petroleum Products"). In addition, $506 million was spent by BART on its extension to the West Pittsburg/Baypoint region of the County, and $450 million of new construction was completed by the Contra Costa Water District on the Los Vaqueros Reservoir in the eastern portion of the County.

Approximately $10.8 billion of construction projects are currently approved or underway in the County, including a $2.2 billion development known as "Dougherty Valley" that will add approximately 11,000 new homes to the County's housing stock and construction projects totaling more than $1 billion on three major bridges. Other major subdivisions have been approved that will add $4.6 billion in new home construction, primarily in the eastern half of the County. Approximately $2.6 billion of projects are pending approval, including a project known as "Cowell Ranch," which involves $1.0 billion of construction spending on approximately 5,000 residential units

Within the last year, the California Energy Commission has licensed and approved the construction of two new natural gas power plants within the County Using state-of-the-art environmental control technology, these new facilities will emit 90% less than the average gas-fired power plant in the United States. The Calpine Corporation broke ground in February 2000 for the construction of the $300 million Los Medanos Energy Center. Located in Pittsburg, this natural gas-fired facility will generate 500 megawatts of electricity upon completion in August 2001. In June 2000, the joint partnership of Calpine Corporation and Bechtel Enterprises also broke ground on the Delta Energy Center; this facility is estimated to cost $450 million and will generate 880 megawatts of electricity upon completion in early 2002. In addition, construction of an additional natural gas-fired power plant that would be located outside the City of Antioch and that would generate 550 megawatts of electricity has been proposed to the County.

Following months of hearings and the preparation of an environmental impact report, the Board of Supervisors, on August 1, 2000, unanimously adopted an amendment to the Contra Costa County General Plan, 1995-2010, which modifies the boundaries of the County's Urban Limit Line. This action shrinks the growth limit line by 22 square miles, thus removing approximately 14,000 acres from future development. The two regions primarily affected by the Board's action are eastern Contra Costa County and the Tassajara Valley in the south-central part of the County. Two cities within the County have filed lawsuits challenging the environmental justifications for the boundary shift. The County anticipates that other parties may also file lawsuits or take other actions challenging the boundary shift. Consequently, the actual number of acres ultimately removed from future development may be less than 14,000 acres.

Transportation

Availability of a broad transportation network has been one of the major factors in the County's economic and population growth. Interstate 80 connects the western portion of the County to San Francisco, Sacramento and points north to Interstate 5, the major north-south highway from Mexico to Canada. Interstate 680 connects the central County communities to the rest of the Bay Area via State Routes 4 and 24, the County's major east-west arteries.

Caltrans has completed Northern California's largest freeway interchange reconstruction project at the intersection of Interstate 680 and Highway 24 in Walnut Creek. The $315 million project added traffic lanes, an elevated bypass, and redesigned access patterns. Caltrans is currently widening Interstate 80 in the western portion of the County at a cost of $200 million

In addition to private automobiles, ground transportation is available to County residents from the following service providers:

- Central Contra Costa Transit Authority provides local bus service to the central area of the County including Walnut Creek, Pleasant Hill and Concord

- BART connects the County to Alameda County, San Francisco and Daly City and Colma in San Mateo with two main lines, one from the San Francisco area to Richmond and the other to the Concord/Walnut Creek/Pittsburg/Bay Point area. BART finished construction of a 14 mile extension to the City of Pleasanton in nearby Alameda County at a cost of $517 million in May 1997. BART now has 39 stations and 95 miles of roadway in its system. BART is currently in the process of building an extension to the San Francisco International Airport expected to be completed by 2003

- AC Transit, a daily commuter bus service based in Oakland, provides local service and connects Contra Costa communities to San Francisco and Oakland.

- Other bus service is provided by Greyhound

- Commuter rail service is provided by the Capital Corridor, with daily runs between the Bay Area and Sacramento.

- The Santa Fe and Union Pacific Railroads' main lines serve the County, both in the industrial coastal areas and the inland farm section.

Commercial water transportation and docking facilities are available through a number of port and marina locations in the County. The Port of Richmond on San Francisco Bay and several privately owned industrial docks on both San Pablo and Suisun Bays serve the heavy industry located in the area. The Port of Richmond, owned and operated by the City of Richmond, covers 202 acres and handles nearly 20 million metric tons annually. The majority of the shipments are bulk liquids with the remainder consisting of scrap metal, autos, and gypsum rock.

Major scheduled airline passenger and freight transportation for County residents is available at either Oakland or San Francisco International Airports, located about 20 and 30 miles, respectively, from the County. In addition there are two general aviation fields, one at Byron and the other at Concord.

Agriculture

The County is comprised of 470,400 acres, with over half (254,445) of these acres allocated to farmlands and harvested cropland. In 1999, the total gross value of agricultural products and crops reached $86,693,780, a decline of $71,470 compared to 1998. The value of agricultural production since 1995 is illustrated in the following table.

COUNTY OF CONTRA COSTA
AGRICULTURAL PRODUCTION, 1995 TO 1999

	1995	1996	1997	1998	1999
Nursery products	$21,782,000	$26,219,000	$31,287,800	$31,643,300	$28,202,200
Livestock & poultry	3,444,000	4,668,400	5,040,800	3,911,300	3,997,000
Field crops	10,616,900	12,281,800	12,696,000	9,291,000	9,525,000
Vegetable & seed crops	19,037,000	19,899,000	20,033,000	16,756,000	18,298,000
Fruit and nut crops	14,967,500	15,294,000	18,520,000	17,180,400	18,197,300
Livestock, apiary & poultry products	5,970,430	7,260,490	7,597,420	8,083,250	8,474,280
Total	$75,817,830	$85,622,690	$95,175,220	$86,765,250	$86,693,780

Source: Contra Costa County Department of Agriculture.

Environmental Control Services

Water. The East Bay Municipal Utilities District ("EBMUD") and the Contra Costa County Water District ("CCCWD") supply water to the County. EBMUD, the second largest retail water distributor west of the Mississippi, supplies water to the western part of the County. Ninety-five percent of its supply is from the Mokelumne River stored at the 68 billion gallon capacity Pardee Dam. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board, plus an additional 325 million gallons per day under a contract with the U.S. Water and Power Resources Service (formerly the U.S. Bureau of Reclamation). EBMUD does not plan to draw on its federal entitlement for the foreseeable future.

CCCWD obtains its water from the Sacramento-San Joaquin Delta and serves 400,000 customers in Concord, Pleasant Hill, Martinez, Clayton, Pittsburg and Antioch. It is entitled under a contract with the U.S. Water and Power Resources Service to 195,000 acre-feet per year. Water sold has ranged between 80,000 and 110,000 acre-feet annually. In addition, a number of industrial users and several municipalities draw water directly from the San Joaquin River under their own riparian rights, so that actual water usage in the service area averages about 125,000 acre-feet annually. To provide expanded water storage capacity, CCCWD constructed the Los Vaqueros Reservoir south of the City of Antioch at an estimated cost of $450 million.

Sewer. Sewer services for the County are provided by approximately 20 sanitation districts and municipalities. Federal and State environmental requirements, plus grant money available from these two sources, have resulted in about 14 agencies upgrading, expanding and/or building new facilities.

Flood Control. The Contra Costa County Flood Control District has been in operation since 1951 to plan, build, and operate flood control projects in unincorporated areas of the County except for the Delta area on its eastern border. The Delta is interspersed with inland waterways that fall under the jurisdiction of the U.S. Corps of Engineers and the State Department of Water Resources The District has recently completed construction of the West Antioch Capacity Improvement Project

Education and Community Services

Public school education in the County is available through nine elementary school districts, two high school districts and seven unified school districts These districts provide 133 elementary schools, 35 middle, junior high and intermediate schools, 26 high schools, and a number of preschool, adult school, and special education facilities. In addition, there are 123 private schools with six or more students in the County. School enrollment in January of 1999 numbered approximately 154,019 students in public schools and 15,373 students in regular graded private schools. The County's average SAT scores exceed regional, State and national averages.

Higher education is available in the County through a combination of two-year community colleges and four-year colleges. The Contra Costa County Community College District has campuses in Richmond, Pleasant Hill and Pittsburg. California State University at Hayward operates a branch campus, called Contra Costa Center, in the City of Concord where late afternoon and evening classes in business, education and liberal arts are offered. St Mary's College of California, a four-year private institution, is located on a 100-acre campus in Moraga. Also located within the County is the John F. Kennedy University campus in Orinda, which is completing a move into expanded space in downtown Concord. In addition, County residents are within easy commuting distance of the University of California, Berkeley. Approximately 64% of County adult residents have attended college, and approximately 49% of County adult residents have completed four or more years of college.

There are nine privately operated hospitals and one public hospital in the County, with a combined total of approximately 1,900 beds Three of the private hospitals are run by Kaiser, the largest health maintenance organization in the United States Kaiser has opened a new hospital in Richmond with new critical care beds, surgical suites and a full service emergency department. The public hospital is Contra Costa Regional Medical Center, a 156-bed facility that the County rebuilt and opened to the public in 1998 on the existing campus in Martinez.

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APPENDIX B

COUNTY FINANCIAL INFORMATION

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APPENDIX B

COUNTY FINANCIAL INFORMATION

Changes in State Funding and County's Response

California counties administer numerous health and social service programs as the administrative agent of the State pursuant to State law. Historically, many of these programs have been either wholly or partially funded with State revenues that have been subject each year to the State budget and appropriation process. Currently the County is required to provide health care to all indigents, administer welfare programs, provide justice facilities (courts and jails) and administer the property tax system and real estate recording.

Over the last several years, State and federally mandated expenditures in justice, health and welfare have grown at a greater rate than the County's discretionary general purpose revenues. The result has been that the County has increased its contribution to maintain mandated services while optional local services have been reduced The Board of Supervisors has responded to this trend in part by instituting measures to improve management, thereby reducing costs while increasing productivity and maintaining services with diminished funding.

While the composition of State revenues has shifted over recent years, the overall proportion of the County's General Fund budget financed by State revenues has remained steady at approximately 35%.

The level of intergovernmental revenues that the County will receive from the State in Fiscal Year 2000-01 and in subsequent fiscal years is likely to be affected by the financial condition of the State. Presented below is a summary of recent State budget issues and financial performance.

1999-2000 Fiscal Year State Budget

Following a severe recession beginning in 1990, the State's financial condition improved markedly during the fiscal years beginning with Fiscal Year 1995-96, due to a combination of better than expected revenues, slowdown in growth of social welfare programs, and continued spending restraint based on actions taken in earlier years. The State's cash position also improved, and no external deficit borrowing occurred over the end of the last five fiscal years.

The economy grew strongly during the fiscal years beginning with Fiscal Year 1995-96, and as a result, the General Fund took in substantially greater tax revenues (increases of approximately $2.2 billion in Fiscal Year 1995-96, $1.6 billion in Fiscal Year 1996-97, $2.4 billion in Fiscal Year 1997-98, $1.7 billion in Fiscal Year 1998-99, and $8.2 billion in Fiscal Year 1999-2000) than were initially planned when the budgets were enacted. These additional funds were largely directed to school spending as mandated by Proposition 98, to make up shortfalls from reduced federal health and welfare aid in Fiscal Year 1995-96 and Fiscal Year 1996-97 and to fund new program initiatives, including education spending above Proposition 98 minimums, tax reductions, aid to local governments and infrastructure expenditures.

The principal features of the 1999 Budget Act included the following:

1 Proposition 98 funding for K-12 schools was increased by $1 6 billion in General Fund moneys over revised Fiscal Year 1998-99 levels, $108.6 million higher than the minimum Proposition 98 guarantee. Of the Fiscal Year 1999-2000 funds, major new programs included money for reading improvement, new textbooks, school safety, improving teacher quality, funding teacher bonuses,

providing greater accountability for school performance, increasing preschool and after school care programs and funding deferred maintenance of school facilities. The 1999 Budget Act also included $310 million as repayment of prior years' loans to schools, as part of the settlement of a lawsuit.

2 Funding for higher education increased substantially above the actual Fiscal Year 1998-99 level. General Fund support was increased by $184 million (7.3 percent) for the University of California system and $126 million (5.9 percent) for the California State University system. In addition, Community Colleges funding increased by $324.3 million (6.6 percent). As a result, undergraduate fees at University of California and California State University systems were reduced for the second consecutive year, and the per unit charge at Community Colleges was reduced by $1

3 Increased funding of nearly $600 million for health and human services.

4. About $800 million from the General Fund was directed toward infrastructure costs, including $425 million in additional funding for the California Infrastructure and Economic Development Bank, initial planning costs for a new prison in the Central Valley, additional equipment for train and ferry service, and payment of deferred maintenance for State parks.

5. The Legislature enacted a one-year additional reduction of 10 percent of the Vehicle License Fee ("VLF") for calendar year 2000, at a General Fund cost of about $250 million in each of Fiscal Year 1999-2000 and Fiscal Year 2000-01 to make up lost funding to local governments. Several other targeted tax cuts, primarily for businesses, were also approved, at a cost of $54 million in Fiscal Year 1999-2000.

6. A one-time appropriation of $150 million, split between cities and counties, was made to offset property tax shifts during the early 1990s. Additionally, an ongoing $50 million was appropriated as a subvention to cities for jail booking or processing fees charged by counties when an individual arrested by city personnel is taken to a county detention facility.

The combination of resurging exports, a strong stock market, and a rapidly-growing economy in 1999 and early 2000 resulted in unprecedented growth in General Fund revenues during Fiscal Year 1999-2000 The latest estimates from the Department of Finance indicate revenues of about $71.9 billion, an increase of over 20 percent over final Fiscal Year 1998-99 revenues and $8.9 billion higher than projected for the 1999 Budget Act. The latest estimates indicate expenditures of $66.5 billion in Fiscal Year 1999-2000, a $2.8 billion increase over the 1999 Budget Act, but the result still left a record balance in the Special Fund for Economic Uncertainties ("SFEU") at June 30, 2000 of over $8.7 billion.

2000-01 Fiscal Year State Budget

Background. On January 10, 2000, Governor Davis released his proposed budget for Fiscal Year 2000-01. The 2000-01 Governor's Budget ("2000 Governor's Budget") generally reflected an estimate that General Fund revenues for Fiscal Year 1999-2000 would be higher than projections made at the time of the 1999 Budget Act. Even these positive estimates proved to be greatly understated as continuing economic growth and stock market gains resulted in a surge of revenues. The Administration estimated in the 2000 May Revision that General Fund revenues would total $70.9 billion in Fiscal Year 1999-2000, and $73.8 billion in Fiscal Year 2000-01, a two-year increase of $12.3 billion above the 2000 Governor's Budget revenue estimates. Actual revenues for Fiscal Year 1999-2000 were $71.9 billion

2000 Budget Act. The 2000 Budget Act was signed by the Governor on June 30, 2000. The spending plan assumed General Fund revenues and transfers of $73.9 billion, an increase of 3.8 percent above the estimates for Fiscal Year 1999-2000. The 2000 Budget Act appropriated $78.8 billion from the

General Fund, an increase of 17.3 percent over Fiscal Year 1999-2000, and reflects the use of \$5.5 billion from the SFEU. In order not to place undue pressure on future budget years, about \$7.0 billion of the increased spending in Fiscal Year 2000-01 will be for one-time expenditures and investments.

At the time the 2000 Budget Act was signed, the Department of Finance estimated the SFEU would have a balance of \$1.781 billion at June 30, 2001. In addition, the Governor held back \$500 million as a set-aside for litigation costs If this amount is not fully expended during Fiscal Year 2000-01, the balance will increase the SFEU. The Governor vetoed just over \$1 billion in General Fund and Special Fund appropriations from the 2000 Budget Act, in order to achieve the budget reserve.

The 2000 Budget Act also included Special Fund expenditures of \$15.6 billion and Bond Fund expenditures of \$5.0 billion. Special Fund revenues are estimated at \$16.5 billion

Some of the major features of the 2000 Budget Act were the following:

1. Proposition 98 funding for K-12 schools was increased by \$3.0 billion in General Fund moneys over revised Fiscal Year 1999-2000 levels, \$1.4 billion higher than the minimum Proposition 98 guarantee. Per pupil spending is estimated at \$6,701 per ADA, an 11 percent increase from the 1999 Budget Act. Of the Fiscal Year 2000-01 funds, over \$1.8 billion is allowed for discretionary spending by school districts. Major new programs included money for high school scholarship to high-achieving students, English language and literacy, improving teacher quality, funding teacher bonuses and salaries for beginning teachers, increasing investments in technology and funding professional development institutes. The 2000 Budget Act also includes an income tax credit to compensate credentialed teachers for the purchase of classroom supplies and a \$350 million repayment of prior years' loans to schools, as part of the settlement of a lawsuit.

2. Funding for higher education increased substantially above the revised 1999-2000 level. General Fund support was increased by \$486 million (17.9 percent) for the University of California system and \$279 million (12.7 percent) for the California State University system. In addition, Community Colleges funding increased by \$497 million (9.0 percent). Undergraduate fees at University of California and California State University systems and the per-unit charge at Community Colleges will be unchanged. The 2000 Budget Act anticipates enrollment increases in all sectors, and an expansion of financial aid.

3. Increased funding of \$2.7 billion General Fund for health and human services.

4 Significant moneys were devoted for capital outlay A total of \$2.0 billion of General Fund money was appropriated for transportation improvements, supplementing gasoline tax revenues normally used for that purpose. This was part of a \$6.9 billion Transportation Congestion Relief Program to be implemented over six years. In addition, the Budget Act included \$570 million from the General Fund in new funding for housing programs.

5. A total of about \$1.5 billion of tax relief was enacted as part of the budget process. The program to rebate a portion of vehicle license fees, started in 1998, was accelerated to the final 67.5 percent level for calendar year 2001, two years ahead of schedule. The acceleration will cost the General Fund about \$887 million in Fiscal Year 2000-01 and \$1 426 billion in Fiscal Year 2001-02. A one-time Senior Citizens Homeowner and Renters Tax Assistance program will cost about \$154 million. A personal income tax credit for teachers will cost \$218 million and a refundable credit for child care expenses will cost \$195 million. Several other targeted tax cuts, primarily for businesses, were also approved, at a cost of \$89 million in Fiscal Year 2000-01.

6. A one-time appropriation of $200 million, to be split between cities and counties, was made to offset property tax shifts during the early 1990s of which the County received $3.0 million. Additionally, $121 million was appropriated for support of local law enforcement, and $75 million in one-time funding was provided for local law enforcement agencies to purchase high technology equipment.

Subsequent Developments. Prior to the end of its session on August 31, 2000, the Legislature passed a number of bills with fiscal impacts on the General Fund in Fiscal Year 2000-01, which were not included in the 2000-01 Budget. Among these were bills to expedite the licensing of new power plants ($57.5 million), to establish a juvenile crime prevention program ($122 million) and to augment the Senior Citizens Property Tax Assistance Program ($60 million). Another bill would enhance retirement benefits for both active and retired teachers. Excess assets and normal cost surplus in the program would fund the costs of enhanced retirement benefits and also provide a $100 million General Fund savings for Fiscal Year 2000-01 from reduced contributions to the State Teachers Retirement System.

Based on results through the first quarter of Fiscal Year 2000-01, the Department of Finance estimated that revenues were sufficiently strong to make it likely that the State would end the fiscal year at June 30, 2001 with a balance in the budget reserve greater than 4 percent of General Fund revenues. Based on this estimate, since the reserve for the year ended June 30, 2000 was also above 4 percent of General Fund revenues, the Governor announced on October 25, 2000 that, pursuant to provisions in the law enacted in 1991 when the State sales tax rate was last raised, the State sales tax rate would be reduced by 0.25 percent for a period of at least one calendar year, effective January 1, 2001. This reduction will result in approximately $553 million less General Fund revenue in the last half of Fiscal Year 2000-01 and approximately $600 million less in the first half of Fiscal Year 2001-02. If the General Fund reserve falls below 4 percent of General Fund revenue in the future, the sales tax rate could be raised by 0.25%.

2001-02 Fiscal Year State Proposed Budget

The Fiscal Year 2001-02 Governor's Budget estimates Fiscal Year 2001-02 General Fund revenues and transfers to be about $79.4 billion, or 3.3 percent higher than the revised Fiscal Year 2000-01 estimate. This estimate assumes a slowing economy, still showing moderate growth short of a recession. The estimate also accounts for a $553 million drop in sales tax revenues as a result of the 0.25 percent sales tax reduction which took effect on January 1, 2001. The Governor proposes $82.9 billion in expenditures, a 3 9 percent increase over the revised 2000-01 estimate. The Governor proposes budget reserves in Fiscal Year 2001-02 of $2.4 billion. Of this amount, $500 million is intended for unplanned litigation costs

The Fiscal Year 2001-02 Governor's Budget proposes to use $3.7 billion of the new resources since the 2000 Budget Act for one-time expenditures, including $1 billion for energy initiatives, $772 million for capital outlay projects, $250 million in fiscal relief to local government, $200 million for new housing initiatives, and a variety of other proposals. With regard to ongoing programs, the Fiscal Year 2001-02 Governor's Budget proposes substantial additions in Proposition 98 funding for K-12 education (an 8.1% increase over the revised Fiscal Year 2000-01 spending level) and funding for all units of higher education, funding for health and welfare programs to cover anticipated caseloads, and a modest increase in youth and adult corrections funding. The final expenditure program for Fiscal Year 2001-02 will be determined by June 2001 by the Legislature and the Governor. The State's Department of Finance will publish an update of revenues and expenditures for the current year and of projected revenues for the upcoming fiscal year in May, 2001.

California Energy Shortage. During the past year, California has experienced significant energy shortages that have resulted in numerous requests for energy conservation and "rolling blackouts" in central and northern California. The energy shortage, which is likely to continue for several years, has also resulted in dramatic increases in the cost of electricity to many electricity customers in California. In addition, two of the State's largest investor-owned utilities, Pacific Gas & Electric Company and Southern California Edison, have failed to meet all of their financial obligations. As a result, no assurance can be given that voluntary or involuntary bankruptcy proceedings will not be commenced by or against the utilities, as applicable.

On January 17, 2001, the Governor determined that the electricity available from California's utilities was insufficient to prevent widespread and prolonged disruption of electric service in California and proclaimed a state of emergency to exist in California under the California Emergency Services Act (the "Emergency Act"). Under the Emergency Act, the Governor has directed all agencies of State government to utilize and employ State personnel, equipment, and facilities for the performance of any and all activities designed to prevent or alleviate the emergency. The Emergency Act permits the Governor to direct the expenditure of any appropriated funds legally available to perform the activities required under a proclamation. The Governor directed the State Department of Water Resources to enter into contracts and arrangements for the purchase and sale of electric power as necessary to assist in mitigating the effects of the emergency. The Emergency Act also authorizes the Governor to commandeer or utilize any private property deemed by the Governor necessary in carrying out his responsibilities and requires the State to pay the reasonable value of the use of such property. The Governor has used this authority to seize certain power purchase contracts of investor-owned utilities.

The State has expended, and continues to expend, substantial amounts of money in an attempt to address the situation In addition, the Governor and the State Legislature have taken various legislative actions, and further actions are being considered. The federal government also is considering actions that it might take. Neither the State nor the County can determine at this time what the ultimate economic impact will be to the State (including the State's budget) and the County, respectively, as well as to various local governments, schools, businesses and other entities

From Welfare to Work

In Fiscal Year 1994-95, 4,600 single adults and 14,977 families were on welfare (based upon the Fiscal Year 1994-95 average monthly caseload) in the County In Fiscal Year 1999-2000, that number was only 693 single adults and 10,919 families (based upon the Fiscal Year 1999-2000 average monthly caseload). This dramatic decline, 41% overall, is in part due to State and federal policies which set time limits on cash assistance and created a new "welfare-to-work" system.

Driving Forces of Change. The federal government and the State have been the driving forces of change in development of the current system In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (the "Welfare Reform Act"), which placed a five-year lifetime limit on cash welfare benefits and expanded the scope of the program to include supportive services for achieving economic self sufficiency. In California, the Welfare Reform Act has been implemented under the California Work Opportunity and Responsibility to Kids Act ("CalWORKs"), which sets the parameters under which counties provide welfare services, including cash benefits and supportive services. In California, welfare recipients are eligible for up to two years of welfare-to-work services, specifically designed to help the transition from welfare to work In 1998, Congress also passed the Workforce Investment Act, which reorganized federal funding for job training employment services, broadened the program to include services for the welfare population and required consolidation of employment services to one stop employment centers.

Employment and Human Services – the New Department. In 1998, the Board of Supervisors created the Employment and Human Services Department (the "Department"), an amalgamation of the

County's Social Service Department and the Private Industry Council. The reorganization recognized the convergence of the missions and mandates of the two former departments, driven by both the Welfare Reform Act and the Workforce Investment Act. Both the organizational structure and budget structure of the Department differ from its predecessors' departments. It is divided into five bureaus: Workforce Services; the Workforce Investment Board; Children and Families Services; Aging and Adult Services; and Administrative Support. The Department's budget units are aligned to ensure fiscal accountability.

In Fiscal Year 1994-95, the combined budgets of the two former departments were $222.9 million, with a net County cost of $27.5 million. In Fiscal Year 2000-01, the Department's budget is $259.6 million, with a net County cost of $24.5 million. Overall, the Department's reliance on County General Funds has been reduced from 12.7% to 9.4%, demonstrating the County's ability to effectively leverage State, federal and other funds to finance its welfare related programs and services.

Department Budget and County Cost

	Fiscal Year 1994-1995	Fiscal Year 2000-01
Total Department Budget	$215,608,937	$259,632,763
County Cost	27,466,711	24,501,866
County Cost as % of Total	12.7%	9.4%

Focusing on the Workforce. Economic self-sufficiency and prosperity for welfare recipients are core missions of the Department. The Department is focused on "a job, better job, a career" for its welfare clients. The two bureaus with primary responsibility for fulfilling these missions are the Workforce Investment Board ("WIB") and the Workforce Services Bureau ("WSB").

The WIB is responsible for creating partnerships in the areas of education, training and career development under the guidance of a countywide workforce development strategic plan. The purpose of this plan is to identify the roles and responsibilities of each employment sector and to better link educational and training service strategies with emerging employment needs for the businesses of the County. In addition, the WIB is responsible for overseeing the One-Stop Career Centers, of which four are currently operational. One-Stop Career Centers offer access to all job seekers and integrate numerous employment and job training programs at one location.

The WSB is responsible for operating the CalWORKs program, including cash assistance and supportive services, as well as the One-Stop Career Centers. The operational responsibility for the One-Stop Career Centers is vested by the WIB to the Mandated One-Stop Operator Consortium of which the WSB is lead agency.

Supportive Services – Partnerships in Practice. Many of the challenges faced by current and former CalWORKs families cannot be addressed by the Department alone The Department has taken the initiative to increase coordination, collaboration and partnerships among public agencies, the employer community and community-based organizations as well as providing its own resources to increase support of working CalWORKs participants as well as ex-CalWORKs families Partnerships include:

- *Child Welfare Services.* Managing both a family and work can be overwhelming for some individuals. The Workforce Services Bureau works closely with Child Welfare Services to support family stability.

- *Mental Health* Mental health counseling services are available both to parents and their children as part of a welfare to work plan

- *Substance Abuse* Similar to mental health, substance abuse treatment is available to both parents and their children and is available on both an outpatient and inpatient basis.

- *Child Care.* The Department is working with the Local Child Care Planning Development Council, schools and the County's Community Services Department to address child care capacity issues. The County is recognized for its innovation in creating a full day, full year child care program, Child Start, which combines the resources of the part day, part year federally funded Head Start, and State funded Child Development programs. In Fiscal Year 1999-2000, 657 families in the County were transitioned to non-subsidized child care, while 2,381 children in the County received subsidized care.

- *Transportation* Most low income families rely on public transit, which can be both time consuming and expensive, particularly when a parent must drop off and pick up a child from child care. The Department successfully competed for over $750,000 of grant funding for a demonstration program for child care transportation and is collaborating with the public transit industry to better meet transportation needs of low income families. For example, night time bus service was instituted in North Richmond, a very low income area of the County, in acknowledgment of the high number of night shift job opportunities.

Job Retention and Career Development. For many CalWORKs participants, their first job pays minimum wage or a little more. To ensure that former CalWORKs participants do not return to welfare dependency, the Department is also focusing on education, skill development and training for former CalWORKs recipients. This initiative is under the direction of the WIB through its education, training and career development partnerships. Job retention services are critical to forming long term attachments to the workforce by former CalWORKs clients, which will help mitigate the caseload impact of an economic downturn.

Declining Welfare Caseloads. To date, the implementation of the CalWORKs program has continued the trend of declining welfare caseloads. The CalWORKs caseload is projected to be 494,000 in Fiscal Year 2001-02, down from 521,000 in Fiscal Year 2000-01 and a high of 921,000 cases in Fiscal Year 1994-95.

Although the Department has had substantial success in recent years, challenges still remain The decline of the CalWORKs caseload has left the Department with a remaining caseload increasingly concentrated with individuals experiencing severe barriers to employment such as mental illness and substance abuse. The Department is currently implementing a collaborative effort with the County's Health Services Department to provide specialized services to these program participants that will assist them in overcoming their barriers to employment.

In addition, while the CalWORKs caseload has declined substantially in recent years, many CalWORKs participants have left cash assistance for low paying jobs at the margins of the workforce. A continuing challenge for the Department is to assist former cash aid recipients in retaining their jobs and advancing to better paying jobs. Effective job retention services will help stabilize the long-term attachment of CalWORKs participants to the workforce and mitigate the caseload impact of the next economic downturn.

The Department has benefited financially from CalWORKs "incentive funds" that the Department receives from the State for decreasing cash assistance and moving program participants into employment. The Department is increasingly using these incentive funds, which totaled $24 million in Fiscal Year 1999-2000, to ensure that program participants successfully transition from welfare to work.

Health Care Funding

The County has the responsibility for providing health care to all persons, regardless of their ability to pay or insurance status In recent years, it has become more and more difficult to meet this obligation as an "open door provider" for the federal and state governments, due to declining and inadequate federal and state health care financing coupled with rising service demands and service costs.

The County is not alone in its health care financing difficulties. A recent survey of California's ten major counties found that all public hospitals are experiencing revenue losses. A May 2000 study by the Association of American Medical Colleges reported that medical centers providing indigent care must either close because of the cuts following the 1997 Balanced Budget Act or must downsize to survive such cuts. The County has taken steps to eliminate the gap between revenue and expenditures in its health care system.

Revenue Enhancement. Pursuant to the Master Settlement Agreement ("MSA") pertaining to national tobacco litigation and the Memorandum of Understanding between the State and the counties and four cities in California which are parties thereto, the County expects to receive annual revenues from the tobacco industry as reimbursement for prior expenditures on health problems related to tobacco consumption The Board of Supervisors has dedicated 100% of its MSA revenues to the Health Services Department. The County received approximately $3.7 million in discretionary revenue in Fiscal Year 1998-99 and approximately $9.5 million in Fiscal Year 1999-2000. The County anticipates that its share of tobacco settlement revenues will be approximately $9.2 million in Fiscal Year 2000-01.

A major new initiative is also expected to increase revenue through an increase in enrollment in the County's health maintenance organization known as the Contra Costa Health Plan ("CCHP"). Currently, when CalWORKs clients transition from welfare to work, they lose eligibility to receive health care from CCHP Yet, depending upon income level, many are still eligible for Medi-Cal or for Healthy Families (California's child health insurance program), both of which are eligible to receive health care from CCHP. The Department has initiated a major outreach effort to increase CCHP enrollment by working with school districts in the County to recruit eligible children. Health insurance assistance centers have been set up in West County and Central County that target outreach through schools. Additional centers are being set up in East County. Initial data show that school outreach has been very effective in increasing enrollment. In addition, this strategy has the further benefit of reducing non-reimbursed health care costs and increasing revenue associated with health care plan enrollment.

Departmental Reductions and Internal Operational Efficiencies. On June 27, 2000, the Board of Supervisors approved the closure of the Home Health Agency. This action recognized that the program was no longer cost effective due to changes in Medicare reimbursement rates and reporting requirements The annual General Fund savings of the closure is estimated to be $740,000.

The Department is also reconfiguring services to be more cost effective. For example, an estimated $720,000 per year of expenses will be avoided by transferring psychiatric patients from institutes of mental disease, for which Medi-Cal does not pay the cost of care, to a new skilled nursing facility, which is eligible for reimbursement.

Other reductions include the non-renewal of nonessential contracts and re-negotiation of contracts wherever possible. For example, the Department realized budget savings of $102,000 by negotiating a contract for beds at the Alameda County Criminal Inpatient Unit.

The Health Services Department is also involved in a management consultant study to identify management actions that could lead to additional budget savings.

Trial Court Funding

Assembly Bill 233 ("AB 233"), which was adopted by the State Legislature in 1997 and became effective January 1, 1998, transferred responsibility from the counties to the State for local trial court funding commencing in Fiscal Year 1997-98. Under the legislation, the State assumed a greater degree of responsibility for trial court operations costs starting in Fiscal Year 1997-98. The County's trial court funding requirement declined from $22.8 million in Fiscal Year 1997-98 to $15.4 million in Fiscal Year 1999-2000 as a result of AB 233. The County's trial court funding requirement is expected to be approximately $15.4 million in Fiscal Year 2000-2001.

The County will continue to be obligated to provide court facilities for all judicial officers and support positions authorized prior to July 1, 1996. This includes those judicial officers and positions which replace those officers and positions created prior to July 1, 1996. However, AB 233 does not require that the County finance new capital facility expenditures related to judicial officers and support staff required for any judgeships authorized during the period from January 1, 1998 to June 30, 2001. The final decision as to who will finance new capital facility expenditures related to this period of time and into the future is being evaluated by a State task force.

County Budget Process

The County is required by State law to adopt a balanced budget by August 30 of each year, although the Board of Supervisors may, by resolution, extend the date on a permanent basis or for a limited period, to October 2. The County's budget process involves a number of steps.

First, upon release of the Fiscal Year 2001-02 Governor's Budget in January, the County Administrator prepares a preliminary forecast of the County's budget based on current year expenditures, the assumptions and projections contained in the Fiscal Year 2001-02 Governor's Budget and other projected revenue trends.

Second, the County Administrator presents the County's Proposed Budget to the Board of Supervisors. Absent the adoption of a final County budget by June 30, the current existing budget is continued into the new fiscal year until a final budget is adopted.

Third, between January and the time the State adopts its own budget, legally due no later than June 15, representatives of the County Administrator monitor, review and analyze the State budget and all adjustments made by the State legislature Upon adoption of the final State budget, the County Administrator recommends revisions to the County's Proposed Budget to align County expenditures with approved State revenue. After conducting public hearings and deliberating the details of the budget, the Board of Supervisors adopts the County's Final Budget by August 30, or by October 2 if the Board of Supervisors has adopted a resolution to extend the deadline.

The County adopted its Final Budget for 2000-01 on August 8, 2000, ahead of the legally extended deadline of October 2, 2000.

In order to ensure that the budget remains in balance throughout the fiscal year, the County Administrator monitors actual expenditures and revenue receipts each month. In the event of a projected year-end deficit, steps are taken, in accordance with the State Constitution, to reduce expenditures. On a quarterly basis, the County Administrator's staff prepares a report that details the activity within each budget category and provides summary information on the status of the budget. Actions that are necessary to ensure a healthy budget status at the end of the fiscal year are recommended in the quarterly budget status reports. Other items which have major fiscal impacts are also reviewed quarterly. The County's ability to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the cost of regulation or provisions of services. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS" in the forepart of this Official Statement.

Recent County General Fund Budgets

Set forth below is a description of the County's comparative budgetary and expenditure experience for Fiscal Years 1996-97 through 2000-01. For a summary of the actual audited financial results of the County for Fiscal Year 1999-2000, see "EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2000" in Appendix C to this Official Statement.

Fiscal Year 1996-97. The County's Fiscal Year 1996-97 Final Budget reflected a 3.9% decline from Fiscal Year 1995-96. However, the County experienced a decline in general assistance and welfare caseloads compared to the prior fiscal year, thereby resulting in greater discretionary County revenue than in the recent past. The County's 1996-97 Final Budget did not contain any significant budget cuts as a result of improvement in both the State and local economies.

Fiscal Year 1997-98. The County's Fiscal Year 1997-98 Final Budget was slightly smaller than that of the prior fiscal year. Public assistance costs continued to drop significantly, paced by General Assistance expenditures that fell to $3.5 million compared to over $6.3 million in Fiscal Year 1996-97. Expenditure increases in the Public Protection and Health and Welfare categories were primarily due to federal and State grant increases in the 1997-98 State Budget Act The fund balance increased 13% to a level of $77 million compared to Fiscal Year 1996-97. As in Fiscal Year 1996-97, the County budget did not contain any significant budget cuts, as both the State and local economies continued to improve.

Fiscal Year 1998-99. The County's Fiscal Year 1998-99 Final Budget, as adjusted through April 1999, was 3.8% percent larger than that of the prior fiscal year due to increases in costs for general government, health and sanitation, public assistance, and public ways and facilities. Health and sanitation costs increased due to increased grant funding of public health programs, increases in SB 855/1255 Disproportionate Share healthcare funding, and expansion of mental health programs. Public assistance rose by $20 million compared to the prior fiscal year due to increased funds for federally funded Head Start programs and State-funded CalWORKs programs for childcare The general fund balance reached $85 million, representing an increase of 11% over Fiscal Year 1997-98.

In Fiscal Year 1998-99, the County began receiving payments pursuant to the MSA and the Memorandum of Understanding relating to the MSA between the State and the counties and four cities in California which are parties thereto. The County has been allocating these revenues to the Health Services Department. See "Health Care Funding – Revenue Enhancement." The County received approximately $3.7 million in Fiscal Year 1998-99 and approximately $9.5 million in Fiscal Year 1999-2000. The County expects to receive approximately $9.2 million in Fiscal Year 2000-2001

In addition, a levy of 50 cents on every pack of cigarettes sold is collected in California pursuant to Proposition 10, effective January 1, 1999. Tobacco tax revenue generated in excess of $10 million in Fiscal Year 1998-99 and in excess of $14 million in Fiscal Year 1999-2000 for health and children's programs in the County.

Fiscal Year 1999-2000. The County's 1999-2000 Final Budget grew 13% over the prior year budget. Public Assistance accounted for nearly half of the increase as State and federal government revenues have enriched children and family services as well as employment training and referral services. Public Works accounted for one quarter of the increase as federal, State and local revenues were allocated primarily for State Highway 4 expansion. The remaining increase was attributable to staffing additions in criminal justice and health services. The fund balance increased to $112.7 million.

Fiscal Year 2000-01. The County's Fiscal Year 2000-01 Final Adopted Budget was 4% larger than the prior fiscal year. Salary and benefit increases accounted for the largest share of the increased costs. Capital projects and building maintenance costs represent a smaller portion of the increase.

A comparison of the County's General Fund budgets for Fiscal Years 1999-2000 and 2000-01 is shown below.

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COUNTY OF CONTRA COSTA
GENERAL FUND BUDGET
FOR FISCAL YEARS 1999-2000 AND 2000-01
(IN THOUSANDS OF DOLLARS)

	Final Adopted Budget 1999-2000	Final Adopted Budget 2000-01
REQUIREMENTS		
General Government	$ 99,309	$138,939
Public Protection	218,768	249,389
Health and Sanitation	168,717	184,432
Public Assistance	276,520	280,127
Education	161	172
Public Ways and Facilities	21,184	19,625
Recreation and Culture	1	1
Reserves and Debt Service	16,251	15,501
Total Requirements	$800,911	$888186
AVAILABLE FUNDS		
Property Taxes	$ 93,202	$101,497
Fund Balance Available	44,648	63,882
Other Taxes	10,230	14,663
Licenses, Permits and Franchises	6,717	6,814
Fines, Forfeitures and Penalties	13,656	13,404
Use of Money and Property	11,943	13,011
Intergovernmental	443,444	484,010
Charges for Current Services	128,035	149,046
Other Revenue	49,036	41,859
Total Available Funds	$800,911	$888,186

Source: County Auditor-Controller

For a discussion of the current energy shortage in California, see "2001-02 Fiscal Year State Proposed Budget – California Energy Shortage."

Fiscal Year 2001-02 Budget. Based upon the County's mid-year update and preliminary projections for Fiscal Year 2001-02, it appears that a budget deficit may occur in Fiscal Year 2001-02 due to (1) an imbalance of revenues and expenses in the County's health care operations and (2) increased facility and energy costs. The preliminary estimate of the budget shortfall is $15 million. The County is required by law to present a balanced budget and may have to undertake budget cutbacks in Fiscal Year 2001-02 if such estimated imbalances actually occur.

Ad Valorem Property Taxes

The County administers the property tax levy and collection system for the County and all local governments in the County. Taxes are levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding January 1 For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Treasurer's power of sale and may be subsequently sold by the Treasurer.

Legislation established the "supplemental roll" in 1984, which directs the Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered

Billings are made on a monthly basis and are due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) by filing a civil action against the taxpayer, (2) by filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) by filing a certificate of delinquency for recordation in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) by the seizure and sale of personal property, improvements or possessory interest, belonging to the taxpayer.

The County and its political subdivisions operate under the Teeter Plan pursuant to provisions of Sections 4701-4717 of the California Revenue and Taxation Code. Pursuant to those sections, the accounts of all political subdivisions that levy taxes on the County tax rolls are credited with 100% of their respective tax levies regardless of actual payments and delinquencies. The County Treasury's cash position (from taxes) is protected by a special fund (the "Tax Losses Reserve Fund") into which all countywide delinquent penalties are deposited. The County has used this method since Fiscal Year 1950-51

Major property tax assessment appeals by business and the oil industry total $5.3 billion in disputed value, with potential loss of revenue in the millions to various units of County local government. The County has hired Baker and O'Brien, a firm with international experience in the oil refinery sector, to do refining valuations, and the County Assessor will vigorously contest the appeals. A recent appeal of $894 million by an oil refinery (Unocal) has been decided in favor of the County Assessor and may affect future negotiations with companies whose appeals are pending. The oil refinery could appeal the recent decision to the courts. Another oil refinery (Chevron) filed a number of tax appeals with the County and an agreement was reached to reduce a portion of its assessed valuation. On June 11, 1999, the Contra Costa County Assessment Appeals Board approved the reduction in assessed values for certain Chevron parcels. The approved reductions and other adjustments to the assessed value of the Chevron refinery and Chevron Research Center reduced the overall assessed value by $599.9 million, or approximately 10.3% from Fiscal Year 1996-97 through Fiscal Year 1998-99, resulting in a one-time County-wide refund in Fiscal Year 1999-2000 of approximately $7.6 million, which includes the property tax refund plus interest. Four oil refineries (Chevron, Tosco, Martinez Refining Co., and Unocal) are currently seeking property tax refunds totaling $50 million for a number of tax years by attempting to reduce their assessments by as much as sixty (60) percent. The total assessed values for the refineries over the years still under appeal amount to $6.9 billion. The refiners are seeking value reductions of $4.482 billion. Heavy industry accounts for 17 percent of the collected property taxes in the County.

The County has incorporated $3.0 million of property tax revenue adjustments in its Fiscal Year 2000-2001 budget as a precaution against potential assessment appeal decisions.

A recent history of County tax levies, delinquencies and the Tax Losses Reserve Fund cash balances as of June 30 is shown below.

COUNTY OF CONTRA COSTA
SUMMARY OF ASSESSED VALUATIONS AND
AD VALOREM PROPERTY TAXATION FOR FISCAL YEARS 1990-91 THROUGH 2000-2001

Fiscal Year	Assessed Valuation	Secured Property Tax Levies	Current Tax Delinquencies June 30	% Levy Delinquent June 30	Balance in Tax Losses Reserve Fund June 30
1990-91	$54,114,860,918	$669,071,124	$19,762,687	2 95	$24,093,615
1991-92	58,422,186,087	714,963,082	24,787,991	3 47	26,558,333
1992-93	61,393,320,088	760,559,294	24,239,204	3 19	29,042,152
1993-94	63,427,696,578	794,435,830	20,652,106	2.60	31,225,565
1994-95	65,294,364,749	823,495,651	20,640,379	2.51	24,709,211
1995-96	67,146,461,590	854,519,586	18,296,237	2 14	18,670,811
1996-97	69,242,099,630	869,580,974	18,057,023	2 08	17,154,539
1997-98	70,314,800,892	892,581,453	15,547,736	1 74	19,508,732
1998-99	73,699,554,452	939,437,116	15,375,159	1.64	21,550,142
1999-00	76,811,775,675	981,579,866	15,904,158	1 62	23,054,893
2000-01	83,094,557,304	–	–	–	–

Source: County Auditor-Controller

During each fiscal year, the Tax Losses Reserve Fund is reviewed and when the amount of the fund exceeds certain levels, the excess is credited to the County General Fund as provided by Sections 4703 and 4703.2 of the California Revenue and Taxation Code. Sections 4703 and 4703.2 allow any county to draw down their tax losses reserve fund to a balance equal to (i) one percent of the total of all taxes and assessments levied on the secured roll for that year, or (ii) 25% of the current year delinquent secured tax levy. The reductions in the Tax Losses Reserve Fund balances from Fiscal Year 1994-95 through Fiscal Year 1996-97 reflected multiple reductions in minimum reserve requirements legislated over that period. The impact of these reductions was to allow increased credits to the County General Fund. No other material drawdowns have occurred.

Largest Taxpayers

The ten largest taxpayers in the County, as shown on the Fiscal Year 1999-2000 secured tax roll, and the approximate amounts of their property tax payments are shown below. These ten taxpayers paid a total of $97 8 million in taxes, or about 10.21% of the County's 1999-2000 secured tax collection.

COUNTY OF CONTRA COSTA
TEN LARGEST PROPERTY TAXPAYERS

Company	Total Taxes Paid 1999-2000	% of Total County Tax Roll
Chevron USA	$23,546,329.03	2.46%
Pacific Gas & Electric[(1)]	17,841,995.08	1.86
Tosco Corporation	15,670,776.34	1.64
Equilon/Shell	13,630,256.40	1 42
Pacific Bell	12,147,840.16	1.27
USS Posco	4,500,127.10	0.47
Seeno & Associates	4,228,763.20	0.44
Bank of America	2,378,178.02	0.25
Taubman (Mall)	2,034,934.17	0.21
Cornerstone (Buildings)	1,847,830.37	0.19
TOTAL	$97,827,029.87	10 21%

(1) See "2001-02 Fiscal Year State Proposed Budget – California Energy Shortage "
Source County Treasurer-Tax Collector

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (the "SBE") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year Currently, approximately 3.69% of the County's total net assessed valuation constitutes unitary property subject to State assessment by the SBE, for which approximately $32,820,000 of property taxes were collected in Fiscal Year 1998-99 The portion of these tax collections attributable to the County General Fund was $7,286,000.

Until recently, SBE assessment of investor-owned gas and electric companies, incumbent local exchange companies, AT&T Corp., and AT&T Communications of California, Inc. was subject to a Settlement Agreement, dated May 1, 1992, among those companies, the SBE and all California counties (the "Agreement"), under which, for many fiscal years, the SBE set the assessed property value equal to historical cost less depreciation less 25% of each utility's deferred tax reserve (all as defined in the Agreement). The Agreement provided that this valuation method was not intended to be precedent for calculating fair market value in years after the term of the Agreement The Agreement was in response to a February 1, 1991, Sacramento Superior Court decision in *AT&T Communications of California, Inc et* *al* v. *State Board of Equalization,* in which the court held that the SBE's valuation approaches had overvalued AT&T's unitary property, and ordered AT&T's statewide assessed value to be reduced from approximately $1.75 billion to approximately $1.1 billion. With the expiration of the Agreement, the SBE has greater flexibility in determining the factors to be considered in establishing assessed property values. The SBE has provided significant relief to various large companies during Fiscal Year 1999-2000 and Fiscal Year 2000-01, and such relief will result in the loss by the County of more than $2.3 million of property taxes during this period.

In 1999, the SBE adopted a rule that provides for local assessment of certain investor-owned electric utility facilities. As a result of this rule, the County Assessor now assesses two power plants located in the County.

For a discussion of two proposed power plants that are expected to increase assessed property values in the County, see "GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION – Construction Activity" in Appendix A to this Official Statement.

In addition, the California electric utility industry is currently undergoing significant changes in its structure and in the way in which components of the industry are or are not regulated. Further sales of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed in the future and which local agencies are to receive the property taxes The County is unable to predict the impact of these changes on its utility property tax revenues, or whether further legislation may be proposed or enacted in response to industry restructuring, or whether any future litigation may affect methods of assessing utility property and the allocation of assessed value to or among local taxing agencies. See "2001-02 Fiscal Year State Proposed Budget – California Energy Shortage."

Redevelopment Agencies

The California Community Redevelopment Law authorizes city or county redevelopment agencies to issue bonds payable from the allocation of tax revenues resulting from increases in full cash values of properties within designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on the "frozen" tax base. The following table shows redevelopment agency full cash value increments and tax allocations for agencies within the County.

COUNTY OF CONTRA COSTA
COMMUNITY REDEVELOPMENT AGENCY PROJECTS
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS[1]
FISCAL YEARS 1990-91 THROUGH 1999-2000

Fiscal Year	Base Year Value	Full Cash Value Increment[2]	Total Tax Allocations[3]
1990-91	$1,696,768,706	$3,966,154,674	$42,171,285
1991-92	1,806,223,553	4,573,718,772	48,590,841
1992-93	1,864,029,147	5,009,792,773	53,485,897
1993-94	1,864,029,147	5,236,543,696	55,748,579
1994-95	2,715,784,139	5,320,724,209	56,677,717
1995-96	3,051,303,629	5,337,629,341	57,204,637
1996-97	3,195,085,095	5,493,724,548	58,807,082
1997-98	2,198,412,524[4]	5,687,404,922	60,454,787
1998-99	2,343,330,103	6,080,461,083	64,427,525
1999-00	2,480,670,587	6,660,417,603	69,321,686

(1) Full cash values for all redevelopment projects above the "frozen" base year valuations These data represent growth in full cash values generating tax revenues for use by the community redevelopment agencies
(2) Does not include unitary and operating non-unitary utility roll values which are determined by the State Board of Equalization on a countywide basis
(3) Actual tax revenues collected by the County which have been or will be paid to the community redevelopment agencies
(4) The Base Year Value is reduced to exclude project areas with negative increment
Source: County Auditor-Controller

Accounting Policies, Reports and Audits

Except as mentioned below, the County believes that its accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues when they become available and measurable Expenditures, with the exception of unmatured interest on general long-term debt, are recognized when the fund liability is incurred. Proprietary funds use the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, while expenses are recognized when they are incurred.

The Treasurer also holds certain trust and agency funds not under the control of the Board of Supervisors, such as those of school districts, which are accounted for on a cash basis.

The California Government Code requires every county to prepare an annual financial report The Auditor-Controller prepares the Comprehensive Annual Financial Report for the County. This annual report covers financial operations of the County, County districts and service areas, local autonomous districts and various trust transactions of the County Treasury Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. The County has had independent audits for more than 40 years. See "APPENDIX C – EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2000."

In addition to the above-mentioned audits, the County Grand Jury may also conduct management audits of certain offices of the County.

Funds accounted for by the County are categorized as follows:

General County Funds. The general County funds consist of the General Fund and other operating funds. The General Fund is used to account for the revenues and expenditures of the County that are not accounted for by other funds. The other operating funds are used to account for the proceeds from specific revenue sources (other than special assessments) or to account for the financing of specific activities as required by law or administrative regulations.

Special District Funds Under Control of Board of Supervisors. These funds are used to account for the transactions of fire protection districts, flood control and storm drainage districts, sanitation districts and county service areas under the control of the Board of Supervisors.

Special District Funds Under Control of Local Boards and School District Funds. These funds are used to account for cash received and disbursed and cash and investments held by the County for districts controlled by local boards. These districts maintain their own accounting records supporting their separate financial statements which are subject to separate audit under California law.

Trust and Agency Funds. Trust and Agency funds are used to account for money and other assets received and held as trustee, custodian or agent for individuals and governmental agencies.

Presented on the following page is the County's Schedule of Revenues, Expenditures and Changes in Fund Balances as of June 30 for the five most recent fiscal years. More detailed information from the County's audited financial report for the fiscal year ending June 30, 2000 appears in Appendix C to this Official Statement.

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County of Contra Costa General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis
Fiscal Years 1995-96 through 1999-2000
(in thousands)

	1995-96	1996-97	1997-98	1998-99	1999-00
REVENUES					
Taxes	$ 95,773	$ 99,974	$101,370	$110,242	$116,540
Licenses, permits & franchises	6,689	7,419	6,476	6,597	8,623
Fines, forfeitures & penalties	17,437	14,082	12,725	13,514	15,029
Use of money & property	13,406	12,062	13,459	14,937	14,858
Intergovernmental revenues	373,167	371,750	378,383	411,112	465,245
Charges for services	99,678	103,913	107,530	123,203	143,566
Other revenue	17,456	18,198	15,083	17,750	27,923
TOTAL REVENUES	623,606	627,398	635,026	697,355	791,784
EXPENDITURES					
General government	82,256	77,199	83,847	105,967	100,734
Public protection	141,875	150,121	168,054	198,836	215,919
Health & sanitation	115,286	122,676	138,241	146,927	156,441
Public assistance	233,862	218,081	213,246	233,217	244,934
Education	130	133	145	144	145
Public ways and facilities	6,933	9,266	6,965	11,096	20,140
Recreation and culture	0	0	0	0	0
Interest	4,273	4,204	4,302	5,296	3,878
Capital outlay[(1)]	1,371	2,615	2,947	3,173	3,301
TOTAL EXPENDITURES	585,986	584,295	617,747	704,656	745,492
Excess of Revenues over (under) Expenditures	37,620	43,103	17,279	(7,301)	46,292
OTHER FINANCING SOURCES (USES)					
Operating transfers in	18,804	24,581	31,318	49,025	31,294
Operating transfers out	(50,911)	(55,844)	(42,005)	(34,834)	(55,993)
Capital lease financing[(1)]	1,371	2,615	2,955	3,173	5,500
TOTAL OTHER FINANCING SOURCES (USES)	(30,736)	(28,648)	(7,732)	17,364	(19,199)
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	6,884	14,455	9,547	10,063	27,093
FUND BALANCE AT BEGINNING OF YEAR, as Previously Reported	51,570	56,524	68,185	79,960	85,430
Adjustment to beginning fund balance	(418)	0	0	0	0
FUND BALANCE AT BEGINNING OF YEAR, as Restated	51,152	56,524	68,185	79,960	85,430
Residual equity transfers in	0	0	0	0	199
Residual equity transfers out	(1,512)	(2,794)	(772)	(1,593)	(1)
FUND BALANCE at End of Year	$ 56,524	$ 68,185	$ 76,960	$ 85,430	$112,721

(1) These entries are required by NCGA Statement 5 to disclose the value of fixed assets acquired during the year under lease purchase agreements The County does not appropriate these amounts since they apply to future years

Source: County Auditor-Controller

County Employees

A summary of County employees follows:

COUNTY OF CONTRA COSTA
COUNTY EMPLOYEES[1]

As of June 30	Number of Permanent Employees
1990	6,635
1991	7,008
1992	7,080
1993	6,689
1994	6,658
1995	6,822
1996	6,856
1997	6,974
1998	7,106
1999	7,683
2000	8,090

(1) Excludes temporary or seasonal employees
Source: County Auditor-Controller

County employees are represented by 36 bargaining units of 13 labor organizations, the principal ones being Local 1 of the County Employees Association and the Clerical Employees Union which, combined, represent approximately 34% of all County employees in a variety of classifications.

The County has had a positive employee relations program, and has enjoyed successful negotiations of cost effective agreements over the years. The County completed its latest contract negotiations with labor representatives in September 1999 with the agreement providing for, among other things, a five percent salary increase through September 30, 2000, a three percent salary increase effective October 1, 2000, and a four percent salary increase effective October 1, 2001. The agreement covers approximately 75% of the County's employees and expires in September 2002.

Contract negotiations with the firefighters were concluded in August 2000, with a 7% salary increase through June 2001. The term of the contract expires in April 2002

Pension Plan

The Contra Costa County Employees' Retirement Association ("CCCERA") is a cost-sharing multiple-employer defined pension benefit plan governed by the County Employees' Retirement Law of 1937. The plan covers substantially all of the employees of the County, its special districts, the Housing Authority and thirteen other member agencies.

The plan provides for retirement, disability, and death and survivor benefits, in accordance with the County Employees' Retirement Law. Annual cost-of-living adjustments to retirement benefits can be granted by the Board of Retirement as provided by State statutes.

Except for the new Tier III described below, the CCCERA is divided into three separate benefit sections of the 1937 Act. These sections are known as: General - Tier I, General - Tier II and Safety. Tier I includes all General members hired before August 1, 1980 and electing not to transfer to Tier II. The Tier II section includes all employees hired on or after August 1, 1980 and all General members electing to transfer from Tier I. The Safety section covers all employees in active law enforcement, active fire suppression work or certain other "safety" classifications as designated by the CCCERA's Board of Retirement.

Service retirement benefits are based on age, length of service and final average salary. For the Tier I and Safety sections, the retirement benefit is based on the twelve highest pay months, in accordance with Government Code Section 31462. For Tier II, the benefit is based on a three-year average salary.

Effective October 1, 1998, a Tier III retirement plan was established for permanent County employees with over five years of service, allowing employees to transfer from Tier II to Tier III. Tier III offers a better retirement plan using Tier I pay-out levels, except that the more stringent requirements for disability retirement are retained from Tier II.

CCCERA Funding Status. The most recent actuarial report of the CCCERA reflects its financial status as of December 31, 1999. The market value of the plan's assets was $2,987,089,000. The present value of the plan's unfunded actuarial accrued liability ("UAAL") was estimated in the most recent actuarial report to be $372,039,000, which includes the County's portion of the liability as well as that of the other entities comprising CCCERA. However, a March 2001 estimate of the present value of such UAAL indicates that the present value is $206,060,000, assuming, among other things, an 8.5% actuarial rate of return. The County-only portion of the UAAL is approximately 54%. The Board of Retirement allocated $120,500,000 in 1999 from unrestricted excess earnings toward funding the UAAL. The GASB Statement No. 25 liabilities calculated for 1999 showed that the funded ratio was approximately 85% (and in March 2001, showed that the funded ratio was approximately 88% based upon a UAAL of $296,060,000).

In 2000, Governor Davis signed legislation that permits 1937 Retirement Act counties to provide increased retirement benefits equal to (a) 3% of eligible salary per year of service to safety employees retiring at age 50, and (b) 2% of eligible salary per year of service to regular employees retiring at age 55. If approved by the County Board of Supervisors and the CCCERA Board of Retirement, the cost of such benefits would have to be paid by the employers or CCCERA or some combination of both. There has been no action taken to date with respect to approving such benefit packages However, the Board of Retirement has requested an actuarial study which will refine projections regarding cost of such benefits. This study is expected to be completed by the end of March 2001

In addition to the above, the Board of Retirement has allocated, to be effective July 1, 2001, $127,000,000 of the Unrestricted Reserve (see the table below) to be used to pay additional retiree benefits in the amount of $200 per month if the Legislature approves special legislation that, if enacted, would result in higher benefits for County retirees compared to retirees in the other 1937 Act counties. In the past, Governor Davis has vetoed legislation that would have resulted in uneven retiree benefits among counties. In the event no such legislation is enacted, the Employer Advance Reserve will belong to the employers and could be used to raise the funded ratio to approximately 90%.

As of December 31, 2000, CCCERA had reserves as summarized below:

Type of Reserves	Amount
Unrestricted	$390,787,592
Market Stabilization	23,963,750
Total	$414,751,342

The CCCERA issues a stand-alone financial report which is available at its office located at 1355 Willow Way, Suite 221, Concord, California 94520. For additional information on the County's pension plan, see "APPENDIX C – EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2000." For additional information about the original funding of the UAAL by the issuance of County bonds in 1994, see "INTRODUCTORY STATEMENT" in the front part of this Official Statement.

Impact of the *Ventura* Decision

On August 14, 1997, the Supreme Court of the State of California rendered a decision in the matter of *Ventura County Deputy Sheriff's Association v Board of Retirement of Ventura County Employees' Retirement Association* which held that compensation not paid in cash, even if not earned by all employees in the same grade or class, must be included in "compensation earnable" and "final compensation" on which an employee's pension is based. This California Supreme Court decision became final on October 1, 1997, requiring, among other things, certain items such as vacation buy-back to be included in the calculations that determine the retirement benefits that a retiree is eligible to receive. The court decision pertains to defined pension plans governed by the County Employees' Retirement Law of 1937, such as the pension plans of many counties in the State, including the County. In addition, two lawsuits against the County on similar issues have been filed by certain retired County employees The CCERA has settled its litigation of these two cases that were consolidated into one case, entitled *Vernon D Paulson, et al. v Board of Retirement of the Contra Costa Employees' Retirement Association, et al.*

The consolidated lawsuit was brought on behalf of a class of retired members of the Association regarding the inclusions and the exclusions from "final" compensation that are used in calculating members' retirement benefits as a result of the Ventura Decision. A settlement agreement has been entered into with all parties and a petitioners' class has been certified consisting of all retired members of the Association whose effective retirement date was on or before September 30, 1997 (i.e., the period prior to the October 1, 1997 effective date of the Ventura Decision).

The Board of Retirement has designated $90 million from unrestricted excess earnings to cover the anticipated liability of the settlement.

Long Term Obligations

The County has never defaulted on the payment of principal or interest on any of its indebtedness. Following is a brief summary of the County's general obligation debt, lease obligations and direct and overlapping debt.

General Obligation Debt. The County has no direct general obligation bonded indebtedness, the last issue having been redeemed in Fiscal Year 1977-78. The County has no authorized and unissued debt.

Lease Obligations. The County has made use of various lease arrangements with private and public financing entities, nonprofit corporations, and the County Employees' Retirement Association for the use and acquisition of capital assets. These capital lease obligations have terms ranging from five to 30 years. The longest capital lease ends in 2028. For a summary of the County's lease obligations as of June 30, 2000, see "APPENDIX C – EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2000 - Notes to General Purpose Financial Statements" attached hereto.

Annual debt service for the County's outstanding lease obligations and the County's Pension Obligation Bonds is shown in the next table.

COUNTY OF CONTRA COSTA
Outstanding Lease Obligations and Pension Obligation Bonds

Fiscal Year Ending 6/30	Total Lease Debt Service	Total POB Debt Service(1)	Total Debt Service(2)	Net Debt Service(3)
2001	$ 24,142,071	$23,436,746	$ 47,578,817	$ 48,735,009
2002	25,981,307	35,269,023	61,250,329	52,989,570
2003	25,414,604	35,266,378	60,680,982	52,915,513
2004	25,405,271	35,268,818	60,674,089	52,915,738
2005	25,402,973	30,583,818	55,986,791	48,373,005
2006	25,409,129	32,880,050	58,289,179	50,611,020
2007	25,409,939	35,266,005	60,675,944	52,935,914
2008	25,427,243	35,269,240	60,696,483	52,958,703
2009	24,049,839	35,267,578	59,317,416	51,574,423
2010	22,831,805	33,519,398	56,351,203	48,666,007
2011	22,832,377	35,362,040	58,194,417	50,459,208
2012	22,833,368	35,357,058	58,190,425	50,459,914
2013	22,836,937	35,357,500	58,194,437	50,470,625
2014	22,837,174	35,360,000	58,197,174	50,474,483
2015	22,856,601	-	22,856,601	16,199,522
2016	22,847,910	-	22,847,910	16,190,367
2017	20,430,727	-	20,430,727	13,783,426
2018	20,425,907	-	20,425,907	13,784,313
2019	20,449,775	-	20,449,775	10,544,165
2020	18,722,880	-	18,722,880	12,271,899
2021	18,724,273	-	18,724,273	9,530,399
2022	15,965,766	-	15,965,766	9,835,887
2023	15,984,641	-	15,984,641	3,763,461
2024	6,041,949	-	6,041,949	5,400,008
2025	5,507,619	-	5,507,619	3,664,159
2026	3,709,920	-	3,709,920	3,709,920
2027	2,491,500	-	2,491,500	2,491,500
2028	2,488,500	-	2,488,500	2,488,500
TOTAL	$537,461,999	$473,463,649	$1,010,925,647	$838,756,655

(1) Following the issuance of the County's Pension Obligation Bonds, Refunding Series 2001

(2) Excludes deductions based upon estimated reimbursement from the State for County hospital debt service and estimated earnings on various debt service and debt service reserve funds

(3) Includes deductions based upon estimated reimbursement from the State for County hospital debt service, earnings on various bond funds and the reduction in debt service obligation when the debt service reserve funds are liquidated at the maturity of the applicable obligations

Source: The County

Direct and Overlapping Debt. The County contains numerous municipalities, school districts and special purpose districts, as well as the overlapping San Francisco Bay Area Rapid Transit District and the East Bay Municipal Utility District, which have issued general obligation bonded and lease indebtedness. Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by

California Municipal Statistics Inc. that summarizes such indebtedness as of December 1, 2000, as adjusted to reflect the issuance of the County's Taxable Pension Obligation Bonds, Refunding Series 2001 (the "2001 Pension Obligation Bonds"). The Debt Report is included for general information purposes only and the County does not guaranty the completeness or accuracy of the information contained in the Debt Report.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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CONTRA COSTA COUNTY

2000-01 Assessed Valuation:	$84,593,430,240	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	7,446,872,533	
Adjusted Assessed Valuation:	$77,146,557,707	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/00
East Bay Municipal Water District and Special District No 1	48 910 & 5 966%	$ 6,142,705
Martinez Unified School District	100	39,739,192
Pittsburg Unified School District and West Contra Costa Unified School District	100	68,595,000
San Ramon Valley Unified School District	100	70,000,000
San Ramon Valley Unified School District Lease Tax Obligations	100	11,635,000
Acalanes and Liberty Union High School Districts	100	106,539,911
Lafayette School District	100	26,705,000
Other School Districts	0 442-100	77,262,442
Cities	100	6,495,000
East Bay Regional Park District	44 440	77,725,560
Other Special Districts	100	2,360,000
Community Facilities Districts	100	207,060,000
1915 Act Assessment Bonds (Estimate)	100	405,078,554
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		$1,105,338,364
Less: East Bay Municipal Utility District (100% self-supporting)		3,423,700
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		$1,101,914,664

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Contra Costa County General Fund Obligations	100 %	$312,995,000
Contra Costa County Pension Obligations	100 (1)	322,235,000 (1)
Contra Costa County Board of Education Certificates of Participation	100	3,020,000
Contra Costa County Mosquito Abatement District Certificates of Participation	100	1,495,000
Alameda-Contra Costa Transit District Certificates of Participation	10 575	2,503,631
Antioch Unified School District Certificates of Participation	100	21,109,844
San Ramon Valley Unified School District Educational Facilities Corporation	100	31,215,000
Other School District General Fund Obligations	0 112-100	44,035,583
City of Antioch General Fund Obligations	100	15,908,728
City of Concord General Fund and Judgment Obligations	100	34,005,000
City of Richmond General Fund Obligations	100	26,746,595
City of Richmond Pension Obligations	100	36,280,000
City of San Ramon General Fund Obligations	100	22,420,000
Other City General Fund Obligations	100	31,850,000
Hospital Authorities	100	4,870,000
Other Special District Certificates of Participation	100	11,980,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$922,569,381
Less: San Ramon Unified School District Certificates of Participation (self-supporting from GIC from Bayerische Landesbank)		11,385,000
City of Concord lease bonds (100% self-supporting)		450,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$910,734,381
GROSS COMBINED TOTAL DEBT		$2,027,907,745 (2)
NET COMBINED TOTAL DEBT		$2,016,649,045

(1) Includes the 2001 Pension Obligation Bonds and excludes County Taxable Pension Obligation Bonds, 1994 Series A, defeased by the 2001 Pension Obligation Bonds

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Ratios to 2000-01 Assessed Valuation:	
Total Gross Overlapping Tax and Assessment Debt	1 31%
Total Net Overlapping Tax and Assessment Debt	1 30%

Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt ($635,230,000)	0 82%
Gross Combined Total Debt	2 63%
Net Combined Total Debt	2 58%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/00: $0

Future Financings

The County anticipates financing an ambulatory care clinic at the Contra Costa Regional Medical Center in Martinez in early to mid 2001. No other major debt financings of new capital projects are currently scheduled by the County, although the County may undertake the replacement of its main administration building and/or the Richmond Health Center in the next few years.

Insurance and Self-Insurance Programs

The County self-insures its unemployment, dental, management long-term disability and medical liability exposures. The County is self-insured to $750,000 per occurrence for workers' compensation, and maintains $10 million of excess insurance coverage per occurrence with commercial insurance carriers. The County is self-insured to $1.0 million per occurrence on public and automobile liability (excluding the airport, which is insured for catastrophic losses by a commercial insurance carrier up to $75 million per occurrence) and maintains $10 million excess insurance coverage with commercial insurance carriers. The County is self-insured to $500,000 per occurrence on medical malpractice and maintains $11 million of excess insurance with commercial insurance carriers. All claims are adjusted in-house by the County, except for dental which is adjusted by outside parties.

Excess coverage is provided by the California State Association of Counties' Excess Insurance Authority (the "Insurance Authority"), a joint powers authority, the purpose of which is to develop and fund programs of excess insurance and provide the joint purchase of coverage from independent third parties for its member entities. The Insurance Authority is governed by a Board of Directors consisting of representatives of its member entities.

In addition, the County maintains up to $550 million "All Risk" coverage (including flood insurance) with a $50,000 deductible, and up to $350 million earthquake coverage on all locations with commercial insurance carriers.

During the past three years there have been no instances of the amount of claim settlements exceeding insurance coverage.

Internal Service Funds are used to account for the County's self-insurance activities. It is the County's policy to provide in each fiscal year, by charges to affected operating funds, amounts sufficient to cover the estimated expenditures for self-insured claims. Charges to operating funds are recorded as expenditures/expenses of such funds and revenues of the Internal Service Funds. Accrual and payment of claims are recorded in the Internal Service Funds.

The County has accrued a liability of $80.337 million at June 30, 2000 for all self-insured claims in the Internal Service Funds, which includes an amount for incurred but not reported claims. The self-insurance reserve is based on actuarially determined amounts for workers' compensation, public and automobile liability, and medical liability and based on management's estimates for all other reserves. In the opinion of the County, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

For additional information on the County's insurance coverage, see "APPENDIX C – EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2000 - Notes to General Purpose Financial Statements" attached hereto.

APPENDIX C

EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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The Honorable Board of Supervisors
County of Contra Costa
Martinez, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general-purpose financial statements of the County of Contra Costa, California (County), as of and for the year ended June 30, 2000. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the County as of June 30, 2000 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2000 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The statistical section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
December 4, 2000

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

COUNTY OF CONTRA COSTA

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT

JUNE 30, 2000

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Cash and investments	$ 122,214	135,359	49,187	46,687
Accounts receivable and accrued revenue	107,969	8,976	1,270	69
Inventories	1,776			
Due from other funds	64,939	7,669	2,728	28
Taxes receivable				
Advances to other funds	138	11,696		
Notes receivable	21,820	5,832		1,260
Prepaid items and deposits	2,872	516	624	
Land held for resale		189		1,849
Fixed assets, net				
Amount available in debt service funds				
Amount to be provided for retirement of long-term obligations				
Total Assets and Other Debits	$ 321,728	170,237	53,809	49,893

See accompanying notes to general-purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Primary Government	Component Unit	Reporting Entity
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only) Totals	Contra Costa Children & Families Commission	(Memorandum Only) Totals
58,303	77,541	3,918,555			4,407,846	17,559	4,425,405
31,389	1,675	49,562			200,910	11	200,921
1,002					2,778		2,778
37,040	3,892	60,322			176,618		176,618
		97,009			97,009		97,009
					11,834		11,834
					28,912		28,912
3,987		287			8,286		8,286
					2,038		2,038
155,693		176	650,978		806,847		806,847
				23,447	23,447		23,447
				556,862	556,862		556,862
287,414	83,108	4,125,911	650,978	580,309	6,323,387	17,570	6,340,957

(continued)

COUNTY OF CONTRA COSTA

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT

JUNE 30, 2000

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Equity and Other Credits				
Liabilities:				
Warrants outstanding	$			
Short term notes	88,000			
Accounts payable and accrued liabilities	41,440	13,753	1,689	161
Employee benefits payable				
Due to other funds	21,489	13,062	977	322
Welfare program advances	22,350			
Capital lease obligations				
Unapportioned taxes				
Tax loss guarantees				
Due to other agencies				
Certificates of participation, net				
Advances from other funds		3,806		777
Deferred revenue and credits	35,728	17,598		1,322
Pension bonds payable				
Other bonds and notes payable				
Special assessment debt with government commitment				
Total Liabilities	209,007	48,219	2,666	2,582
Equity and Other Credits:				
Contributed capital				
Investment in general fixed assets				
Retained earnings:				
Reserved for debt service				
Unreserved				
Fund balances:				
Reserved				
Encumbrances	32,439	4,265		79
Inventories	1,776			
Advances to other funds	138	12,298		
Prepaid items and deposits	2,567	516	624	
Land held for resale		189		1,849
Debt service			23,447	
Employees' pension benefits				
Participation in individually directed investment accounts				
Children's programs				
Unreserved				
Designated for future projects		8,241	27,072	41,557
Designated for equipment replacement	8,717			
Undesignated	67,084	96,509		3,826
Total Equity and Other Credits	112,721	122,018	51,143	47,311
Total Liabilities, Equity and Other Credits	$ 321,728	170,237	53,809	49,893

See accompanying notes to general-purpose financial statements

Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Fiduciary Fund Type: Trust & Agency	Account Groups: General Fixed Assets	Account Groups: General Long-Term Obligations	Primary Government (Memorandum Only) Totals	Component Unit: Contra Costa Children & Families Commission	Reporting Entity (Memorandum Only) Totals
		87,655			87,655		87,655
					88,000		88,000
35,940	80,337	56,759			230,079	68	230,147
5,861		75		28,569	34,505		34,505
35,765	1,739	105,320			178,674		178,674
					22,350		22,350
3,169				9,927	13,096		13,096
		65,187			65,187		65,187
		22,827			22,827		22,827
		99,564			99,564	19	99,583
123,443				63,820	187,263		187,263
				7,251	11,834		11,834
21,975					76,623		76,623
				302,275	302,275		302,275
8,864				146,815	155,679		155,679
				21,652	21,652		21,652
235,017	82,076	437,387		580,309	1,597,263	87	1,597,350
26,588					26,588		26,588
			650,978		650,978		650,978
16,535					16,535		16,535
9,274	1,032				10,306		10,306
					36,783		36,783
					1,776		1,776
					12,436		12,436
					3,707		3,707
					2,038		2,038
					23,447		23,447
		2,987,089			2,987,089		2,987,089
		701,435			701,435		701,435
						8,592	8,592
					76,870		76,870
					8,717		8,717
					167,419	8,891	176,310
52,397	1,032	3,688,524	650,978		4,726,124	17,483	4,743,607
287,414	83,108	4,125,911	650,978	580,309	6,323,387	17,570	6,340,957

(concluded)

COUNTY OF CONTRA COSTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED JUNE 30, 2000

(In Thousands)

	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	$ 116,540	78,347	6,783	2,713
Licenses, permits and franchise fees	8,623	11,772		
Fines, forfeitures and penalties	15,029	3,971		
Use of money and property	14,858	11,244	9,571	2,283
Intergovernmental	465,245	99,030	9	5
Charges for services	143,566	24,318	1,356	
Other revenue	27,923	6,776	282	39
Total Revenues	791,784	235,458	18,001	5,040
Expenditures:				
Current:				
General government	100,734	1,038		
Public protection	215,919	91,341		
Health and sanitation	156,441	7,701		
Public assistance	244,934	57,756		
Education	145	14,071		
Public ways and facilities	20,140	30,368		
Recreation and culture		619		
Debt service:				
Principal		2,139	18,958	250
Interest	3,878	1,804	33,579	27
Capital outlay	3,301	9,115	5,950	4,743
Total Expenditures	745,492	215,952	58,487	5,020
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,292	19,506	(40,486)	20
Other Financing Sources (Uses):				
Operating transfers in	31,294	2,639	38,550	
Operating transfers out	(55,993)	(11,736)		(212)
Capital lease financing	5,500			
Total Other Financing Sources (Uses)	(19,199)	(9,097)	38,550	(212)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27,093	10,409	(1,936)	(192)
Fund Balances at Beginning of Year, as Previously Reported	85,430	113,109	53,606	47,503
Adjustments to beginning fund balances		(1,501)	(328)	
Fund Balances at Beginning of Year, as Restated	85,430	111,608	53,278	47,503
Residual equity transfers in	199	1		
Residual equity transfers out	(1)		(199)	
Fund Balances at End of Year	$ 112,721	122,018	51,143	47,311

See accompanying notes to general-purpose financial statements

Primary Government (Memorandum Only) Totals	Component Unit Contra Costa Children & Families Commission	Reporting Entity Totals (Memorandum Only)
204,383	8,871	213,254
20,395		20,395
19,000		19,000
37,956	270	38,226
564,289	85	564,374
169,240		169,240
35,020	8,592	43,612
1,050,283	17,818	1,068,101
101,772		101,772
307,260		307,260
164,142		164,142
302,690	335	303,025
14,216		14,216
50,508		50,508
619		619
21,347		21,347
39,288		39,288
23,109		23,109
1,024,951	335	1,025,286
25,332	17,483	42,815
72,483		72,483
(67,941)		(67,941)
5,500		5,500
10,042		10,042
35,374	17,483	52,857
299,648		299,648
(1,829)		(1,829)
297,819		297,819
200		200
(200)		(200)
333,193	17,483	350,676

COUNTY OF CONTRA COSTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE AND CERTAIN DEBT SERVICE AND CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2000

(In Thousands)

		General Fund		
		Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$	103,432	116,540	13,108
Licenses, permits and franchise fees		7,346	8,623	1,277
Fines, forfeitures and penalties		15,146	15,029	(117)
Use of money and property		12,545	14,858	2,313
Intergovernmental		472,495	465,245	(7,250)
Charges for services		155,614	143,566	(12,048)
Other revenue		29,148	27,923	(1,225)
Total Revenues		795,726	791,784	(3,942)
Expenditures:				
Current:				
General government		144,595	100,734	43,861
Public protection		224,459	215,919	8,540
Health and sanitation		161,438	156,441	4,997
Public assistance		270,748	244,934	25,814
Education		160	145	15
Public ways and facilities		23,711	20,140	3,571
Recreation and culture				
Debt service:				
Principal				
Interest		6,002	3,878	2,124
Capital outlay		3,301	3,301	
Total Expenditures		834,414	745,492	88,922
Excess (Deficiency) of Revenues Over (Under) Expenditures		(38,688)	46,292	84,980
Other Financing Sources (Uses):				
Operating transfers in		31,294	31,294	
Operating transfers out		(49,759)	(55,993)	(6,234)
Capital lease financing		3,301	5,500	2,199
Total Other Financing Sources (Uses)		(15,164)	(19,199)	(4,035)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(53,852)	27,093	80,945
Fund Balances at Beginning of Year, as Previously Reported		85,430	85,430	
Adjustments to beginning fund balances				
Fund Balances at Beginning of Year, as Restated		85,430	85,430	
Residual equity transfers in			199	199
Residual equity transfers out			(1)	(1)
Fund Balances at End of Year	$	31,578	112,721	81,143

See accompanying notes to general-purpose financial statements

Special Revenue Funds			Certain Debt Service Funds			Certain Capital Projects Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
75,892	78,347	2,455	3,372	3,368	(4)	2,646	2,713	67
11,727	11,772	45						
3,504	3,971	467						
7,321	11,244	3,923	1,063	1,658	595	478	2,096	1,618
96,321	99,030	2,709		9	9		5	5
21,398	24,318	2,920		1,356	1,356			
6,587	6,776	189				62	39	(23)
222,750	235,458	12,708	4,435	6,391	1,956	3,186	4,853	1,667
4,410	1,038	3,372						
124,634	91,341	33,293						
8,777	7,701	1,076						
68,889	57,756	11,133						
15,083	14,071	1,012						
52,036	30,368	21,668						
2,464	619	1,845						
2,139	2,139		11,900	11,885	15	250	250	
1,807	1,804	3	23,969	24,145	(176)	30	27	3
4,457	9,115	(4,658)	22	17	5	44,157	4,676	39,481
284,696	215,952	68,744	35,891	36,047	(156)	44,437	4,953	39,484
(61,946)	19,506	81,452	(31,456)	(29,656)	1,800	(41,251)	(100)	41,151
842	2,639	1,797	29,767	31,117	1,350			
(9,711)	(11,736)	(2,025)					(212)	(212)
(8,869)	(9,097)	(228)	29,767	31,117	1,350		(212)	(212)
(70,815)	10,409	81,224	(1,689)	1,461	3,150	(41,251)	(312)	40,939
113,109	113,109		7,368	7,368		44,032	44,032	
	(1,501)	(1,501)		(328)	(328)			
113,109	111,608	(1,501)	7,368	7,040	(328)	44,032	44,032	
	1	1						
42,294	122,018	79,724	5,679	8,501	2,822	2,781	43,720	40,939

COUNTY OF CONTRA COSTA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT) - ALL PROPRIETARY FUND TYPES

YEAR ENDED JUNE 30, 2000

(In Thousands)

	Proprietary Fund Types		(Memorandum Only)
	Enterprise	Internal Service	Totals
Operating Revenues:			
Intergovernmental	$ 19,597		19,597
Charges for services	269,252	28,296	297,548
Other revenue	1		1
Total Operating Revenues	288,850	28,296	317,146
Operating Expenses:			
Salaries and employee benefits	127,827	464	128,291
Services and supplies	144,699	9,153	153,852
Other charges	179		179
Benefit and claim expense		21,232	21,232
Depreciation	8,409		8,409
Total Operating Expenses	281,114	30,849	311,963
Operating Income (Loss)	7,736	(2,553)	5,183
Nonoperating Revenues (Expenses)			
Interest income		3,554	3,554
Interest expense	(6,725)		(6,725)
Loss on disposal of fixed assets	(437)		(437)
Gain on forgiveness of debt	69		69
Return of capital contribution	500		500
Total Nonoperating Revenues (Expenses)	(6,593)	3,554	(3,039)
Income (Loss) Before Operating Transfers	1,143	1,001	2,144
Operating transfers in	18,431	6,444	24,875
Operating transfers out	(29,336)	(81)	(29,417)
Net Income (Loss)	(9,762)	7,364	(2,398)
Add depreciation on contributed capital	1,278		1,278
Increase (Decrease) in Retained Earnings	(8,484)	7,364	(1,120)
Retained Earnings at Beginning of Year	34,293	(6,332)	27,961
Residual equity transfers in	139		139
Residual equity transfers out	(139)		(139)
Retained Earnings at End of Year	$ 25,809	1,032	26,841

See accompanying notes to general-purpose financial statements

COUNTY OF CONTRA COSTA

COMBINED STATEMENT OF CHANGES IN NET ASSETS - PENSION AND INVESTMENT TRUST FUNDS

YEAR ENDED JUNE 30, 2000*

(In Thousands)

	Pension Trust Fund	Investment Trust Fund	(Memorandum Only) Totals
Additions:			
Employer contributions	$ 49,254		49,254
Employee contributions	14,461		14,461
Contributions to pooled investments		2,043,500	2,043,500
Investment income	402,876	32,855	435,731
Total Additions	466,591	2,076,355	2,542,946
Deductions:			
Benefits paid	109,145		109,145
Refunds of contributions	857		857
Distribution from pooled investments		2,055,593	2,055,593
Adjustments/transfers	199		199
Administrative and other expenses	3,053		3,053
Prepayment discount	3,268		3,268
Total Deductions	116,522	2,055,593	2,172,115
Net Increase	350,069	20,762	370,831
Net Assets Held In Trust at Beginning of Year	2,637,020	680,673	3,317,693
Net Assets Held In Trust at End of Year	$ 2,987,089	701,435	3,688,524

* Pension Trust Fund reported for Year Ended December 31, 1999

See accompanying notes to general-purpose financial statements

COUNTY OF CONTRA COSTA
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2000
(In Thousands)

	Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	(Memorandum Only) Totals
Operating Income (Loss)	$ 7,736	(2,553)	5,183
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	8,409		8,409
Changes in assets and liabilities·			
Decrease (increase) in accounts receivable and accrued revenue	17,262	(368)	16,894
Decrease (increase) in inventories	(57)		(57)
Decrease (increase) in amounts due from other funds	(20,032)	169	(19,863)
Decrease (increase) in prepaid items and deposits	(936)		(936)
Increase (decrease) in accounts payable and accrued liabilities	8,322	(3,861)	4,461
Increase (decrease) in employee benefits payable	470		470
Increase (decrease) in amounts due to other funds	9,762	207	9,969
Increase (decrease) in deferred revenue and credits	5,317		5,317
Net Cash Provided by (Used for) Operating Activities	36,253	(6,406)	29,847
Cash Flows from Noncapital Financing Activities:			
Operating transfers in	18,431	6,444	24,875
Operating transfers out	(29,336)	(81)	(29,417)
Net Cash Provided by (Used for) Noncapital Financing Activities	(10,905)	6,363	(4,542)
Cash Flows from Capital and Related Financing Activities:			
Interest paid	(6,725)		(6,725)
Lease purchase obligation principal payment	(351)		(351)
Principal payments on bonds and certificates	(2,419)		(2,419)
Principal payments on notes	(191)		(191)
Capital contributions	318		318
Acquisitions of fixed assets	(16,884)		(16,884)
Payment on other non-current obligations	(1,031)		(1,031)
Net Cash Used for Capital and Related Financing Activities	(27,283)		(27,283)
Cash Flows from Investing Activities:			
Interest income		3,554	3,554
Net Cash Provided by Investing Activities		3,554	3,554
Net Increase (Decrease) in Cash and Cash Equivalents	(1,935)	3,511	1,576
Cash and Cash Equivalents at Beginning of Year	60,238	74,030	134,268
Cash and Cash Equivalents at End of Year	$ 58,303	77,541	135,844

See accompanying notes to general-purpose financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Contra Costa (the "County") conform to generally accepted accounting principles as applicable to governmental entities The following is a summary of the more significant policies:

A. Definition of Reporting Entity

The County is a political subdivision created by the State of California As such, it can exercise the powers specified by the Constitution and statutes of the State The County is governed by a five member elected Board of Supervisors These financial statements present all the fund types and account groups of the County and its component units Component units are legally separate entities that are controlled by the County Board of Supervisors, are in a relationship of financial benefit or burden with the County, or would cause the County's financial statements to be misleading if the data from the entity was not included Blended component units are component units whose governing board is substantially the same as the County Board of Supervisors or that serve the County government exclusively, or almost exclusively Component units that do not meet this standard are discretely presented in a separate column in the combined financial statements.

Blended Component Units

The Housing Authority of the County of Contra Costa (the "Authority") was established to provide housing for the County's low and moderate income residents Its board members are the same as the County Board of Supervisors The financial activities of the Authority are reported in the Special Revenue, Debt Service and Agency Funds and the General Fixed Assets and General Long-Term Obligations Account Groups The fiscal year of the Authority ends on March 31st and its financial activities are reported as of that date.

The Contra Costa County Redevelopment Agency (RDA) was established for the purpose of redeveloping certain areas of the County designated as project areas Its board members are the same as the County Board of Supervisors The financial activities of the RDA are reported in the Redevelopment Agency Special Revenue, Debt Service and Capital Projects Funds and the General Long-Term Obligations Account Group

The Contra Costa County Public Facilities Corporation (PFC) was established to provide financing for the acquisition, construction, improvement and remodeling of public buildings and facilities for the County The County appoints a voting majority of the governing board and is able to impose its will on the Corporation The activities of the Corporation are reported in a Debt Service Fund, the County Hospital Enterprise Fund and the General Long-Term Obligations Account Group

The County of Contra Costa Public Financing Authority (PFA) is a joint powers authority consisting of the County and the RDA. The PFA was established to provide for the financing of public improvements, obligations, working capital and liability or other insurance programs of the County and the Agency The members of the County Board of Supervisors also serve as the Directors of the PFA The activities of the PFA are reported in a Debt Service Fund, the County Hospital Enterprise Fund and the General Long-Term Obligations Account Group

The Contra Costa County Employees' Retirement Association (CCCERA) was established to provide retirement benefits to employees of the County and other member agencies The CCCERA provides services which almost exclusively benefit the County and it is reported as a Pension Trust Fund in the general-purpose financial statements The fiscal year of the CCCERA ends on December 31st and its financial activities are reported as of that date

The County has 42 agencies referred to as County Special Districts and Service Areas Each is established by the County for the purpose of providing specific services in a defined geographic area Their board members are the same as the County Board of Supervisors These agencies are reported in Special Revenue Funds These agencies and the Special Revenue Fund in which each is reported include: Fire Protection - Bethel Island Fire Protection District, Contra Costa Fire Protection District, Crockett-Carquinez Fire Protection District, East Diablo Fire Protection District, Oakley Fire Protection District; Flood Control - Flood Control District, Storm Drainage District, Storm Drain Maintenance District No 4 and Storm Drain District No Z-16; Health and Sanitation - Sanitation Districts Nos 5, 6, 15 and 19; Service Areas - Service Areas D-2, EM-1, L-100, LIB-2, LIB-10, LIB-12, LIB-13, M-1, M-8, M-16, M-17, M-20, M-23, M-25, M-26, M-27, M-28, M-29, R-4, R-7, R-8, R-9, R-10 and RD-4; Law Enforcement - Service Areas P-1, P-2, P-5 and P-6; Other Special Revenue - Contra Costa County Water Agency

<u>Discretely Presented Component Unit</u>

The Contra Costa Children and Families Commission (the "Commission") was established to implement the provisions of Proposition 10, adopted by the voters in 1998 Proposition 10 added Division 108 (commencing with Section 130100) to the Health and Safety Code It provides for a State tax on the sale of tobacco products and also provides that this revenue be spent for early childhood development programs by the Commission The County Board of Supervisors appoints all nine members (and nine alternate members) of the Commission and is able to impose its will on the Commission Two members of the Board of Supervisors serve on the Commission. The Commission provides most of its services directly to the citizens of the County The financial activity of the Commission is reported in separate columns on the Combined Balance Sheet - All Fund Types and Account Groups and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types

Complete audited financial statements for each of the individual component units are issued separately and may be obtained at the unit's administrative offices as follows:

Housing Authority of the County of Contra Costa
3133 Estudillo Street, Martinez, CA 94553

Contra Costa County Public Facilities Corporation
1220 Morello Ave , Suite 100, Martinez, CA 94553

County of Contra Costa Public Financing Authority
651 Pine Street, 6th Floor, Martinez, CA 94553

Contra Costa County Redevelopment Agency
651 Pine Street, 5th Floor North Wing, Martinez, CA 94553

County Service Areas, County Auditor-Controller
625 Court Street, Room 103, Martinez, CA 94553

Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221, Concord, CA 94520

Contra Costa Children and Families Commission
1340 Arnold Drive, Suite 125, Martinez, CA 94553

B. Fund Accounting

The County uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types"

Governmental funds are used to account for all or most of the County's general government activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term obligations (debt service funds) The General Fund is used to account for all activities of the County not accounted for in one of the other fund types

Proprietary funds are used to account for activities similar to those in the private sector, where the measurement focus is upon determination of net income and capital maintenance Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds)

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds These include the Pension and Investment Trust Funds and agency funds The Pension and Investment Trust Funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus All governmental funds are accounted for using the flow of current financial resources measurement focus Only current assets and current liabilities generally are included on the balance sheet Fixed assets purchased with governmental funds are recorded in the General Fixed Assets Account Group Liabilities, which are expected to be liquidated with expendable available resources, are considered current liabilities and are recorded in the governmental fund types; remaining amounts are reported in the General Long-Term Obligations Account Group Operating statements of the governmental funds present increases (i e , revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the Pension and Investment Trust Funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet for proprietary funds, or statement of net assets for Pension and Investment Trust Funds. Fund equity (i e , net total assets) in proprietary funds is segregated into contributed capital and retained earnings components Proprietary fund type operating statements present increases (e.g , revenues) and decreases (e g., expenses) in net total assets

The modified accrual basis of accounting is used by all governmental fund types, agency funds and the discretely presented component unit Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e , when they become both measurable and available) "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period Expenditures, other than principal and interest on long-term obligations, are recorded when the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year

The County considers property taxes administered under the alternate method of distribution as available (see Note 3). Unsecured property taxes, not administered under that method, are considered available if they are collected within 60 days after year-end

Other major revenues susceptible to accrual are tobacco taxes, franchise fees, intergovernmental revenue, interest revenue and charges for services. Vehicle license fees and sales tax revenue reported to the State on behalf of the County for the period ending June 30th, are also recognized as revenues. Fines, fees and permits are not susceptible to accrual as they generally are not measurable until received in cash

The accrual basis of accounting is utilized by proprietary fund types and Pension and Investment Trust Funds Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred

The County reports deferred revenue on its combined balance sheet Deferred revenue arises when a potential revenue transaction does not meet the "available" criteria for recognition in the current period Deferred revenue also arises when resources are received by the County before it has a legal claim to them, as when grant monies are received in advance of qualifying expenditures In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for the deferred revenue is removed from the combined balance sheet and revenue is recognized

D. Governmental Accounting Standards Board (GASB) Statement No. 20

The County has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 As required under GASB Statement No 20, the County will continue to apply all applicable GASB pronouncements, as well as statements and interpretations of FASB, the Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements

E. Cash and Investments

Investment transactions are recorded on the trade date Investments in non-participating interest-earning investment contracts (certificates of deposit and guaranteed investment contracts) are stated at cost, and all other investments are stated at fair value Fair value is defined as the amount that the County could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices

Under GASB Statement No 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the Pension Trust Fund reports its investments at year-end at fair value and includes both realized and unrealized gains and losses on investments in its statement of changes in net assets. The fair values of equity and fixed income securities are derived from quoted market prices The fair values of private market investments are estimated from fair values provided by real estate investments funds, generally using periodic independent appraisals, and alternative investment managers All investment purchases and sales are recorded on the trade date

The public school districts, cemetery districts, pest control districts, recreation and park districts and resource conservation districts within the County are required by legal provisions to maintain their cash and investments with the County Treasurer The County Treasurer maintains individually directed investment accounts for these districts The cash and investments held for these districts are included in the Investment Trust Fund

F. Budgets and Budgetary Accounting

In accordance with the provisions of Sections 29000-29144 of the Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a budget each fiscal year after a series of public hearings. Budgets are adopted for the General, Special Revenue, certain required Debt Service and Capital Projects Funds on the modified accrual basis

The results of operations as presented in the budget-to-actual comparison statements are on the generally accepted accounting principles (GAAP) basis A reconciliation between those funds which are budgeted and those which are not follows (in thousands):

	Debt Service	Capital Projects
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses (Budgeted Funds)	$ 1,461	(312)
Adjustment		
Budgets not adopted for the·		
Public Financing Authority	(2,200)	
Public Facilities Corporation	(1,402)	
Assessment Districts	205	120
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses (All Budgeted and Non-Budgeted Funds)	$ (1,936)	(192)

Expenditures are controlled by management at the object level within departments for all adopted budgets; however, the legal level of control is at the department level Any amendments of appropriations for a department, or transfers of appropriations between departments, are approved by the Board of Supervisors, as are supplemental appropriations normally financed by unanticipated revenues received during the year Approximately $91,858,000 in supplemental appropriations were added to the budgets for all governmental fund types during the fiscal year, of which $75,130,000 was for the General Fund The Board has delegated authority to the County Administrator to approve transfers of appropriations between object level classifications within a department Budgeted amounts are reported as amended Individual amendments were not material in relation to the original appropriations All appropriations lapse at year end

G. Cash Flows

For the purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities

I. Inventories

Inventories are valued at cost, which approximates market Governmental fund inventories are maintained using the weighted average method. Proprietary fund inventories are maintained using the first-in, first-out method. The costs of governmental fund inventories and proprietary fund inventories are recorded as expenditures/expenses at the time individual items are consumed rather than when purchased

J. Fixed Assets

Fixed assets are valued at historical cost Contributed fixed assets are recorded at fair market value at the time received Certain assets, for which actual costs are not available, are valued on the basis of a professional valuation which determined their approximate historical cost

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in the governmental funds Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings such as roads, bridges, streets and sidewalks, curbs and gutters, drainage systems, and lighting systems are not capitalized as these assets are immovable and of value only to the County No depreciation has been provided on general fixed assets

All proprietary fund and Pension Trust Fund fixed assets are depreciated using the straight-line method over the following estimated useful lives: buildings, 25-40 years; improvements, 10-20 years; and equipment, 3-20 years. Depreciation recognized on assets acquired or constructed through resources externally restricted for capital acquisitions is closed to the appropriate contributed capital account and reported on the operating statement as an adjustment to retained earnings

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the General Fixed Assets Account Group or capitalized in the proprietary funds The capitalization threshold for permanent structures is $5,000 The capitalization threshold for equipment is $3,000, except for County Hospital equipment for which the threshold is $500.

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants* Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use

K. Vacation and Sick Leave

Under terms of union contracts, County employees are granted vacation and sick leave in varying amounts In the event of termination, an employee is reimbursed for accumulated vacation hours Employees are not reimbursed for accumulated sick leave except management employees who are eligible for a payoff of unused sick leave accruals at resignation Management employees must have a balance of at least 70.0 percent of their sick leave accruals and have been employed three years or more to be eligible for this benefit The maximum amount payable under this Sick Leave Incentive Plan is 50 0 percent of accrued sick leave, however, the amount of sick leave payable is de minimis Accordingly, no accrual for sick leave has been made in the accompanying financial statements. Accrued vacation at June 30, 2000, is valued at $34,505,000 which includes $28,569,000 attributable to the General and Special Revenue Funds, $5,861,000 recorded in Enterprise Funds and $75,000 recorded in the Pension Trust Fund Amounts attributable to the General and Special Revenue Funds are expected to be claimed in future periods and paid with future resources Accordingly, this liability is reflected in the General Long-Term Obligations Account Group In proprietary funds, accumulated vacation is recorded as an expense and liability as the benefits accrue to employees In compliance with GASB Statement No 16, *Accounting for Compensated Absences*, the amounts reported include estimated employer liability for taxes and workers' compensation premiums

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period Actual results could differ from those estimates.

M. Bond and Certificate of Participation Discounts and Issuance Costs

In governmental fund types, bond and certificate of participation discounts, issuance costs and losses on defeasance are recognized in the period incurred In proprietary fund types, these charges are deferred and amortized over the term of the issuance using the straight line method, which approximates the effective interest method

N. Total Columns on Combined Statements

Total columns on the accompanying combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund eliminations have not been made

O. Effect of New Pronouncements

In December 1998, GASB issued Statement No 33, "Accounting and Financial Reporting for Nonexchange Transactions," effective for periods beginning after June 15, 2000. The Statement establishes financial reporting standards to guide state and local governments' decisions about when (in which fiscal year) to report the results of nonexchange transactions (including taxes on retail sales of goods and services, property taxes, and donations by nongovernmental entities) - involving cash and other financial and capital resources The County is analyzing its current accounting practices to determine the potential impact on the general-purpose financial statements.

In June 1999, GASB issued Statement No 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," effective for periods beginning after June 15, 2001. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past GASB Statement No 34 represents the most important single change in the history of accounting and financial reporting for state and local governments One of the most significant changes is that all capital assets, including infrastructure, will be reported within the basic financial statements, along with depreciation expense and accumulated depreciation Currently, infrastructure related to governmental funds is not reported in the financial statements GASB Statement No 34 provides an alternative to depreciation for infrastructure, termed the "modified approach" The modified approach requires the use of a qualified asset management system and additional schedules to be reported in another new element of the financial statements, the "Management's Discussion and Analysis (MD&A)" section The costs to implement GASB Statement No. 34 are unknown at this time

The Office of the County Auditor-Controller has established a committee to help the County prepare for the implementation of GASB Statement No 34 The committee includes members from other departments and plans to conduct training of County staff as appropriate

2. CASH AND INVESTMENTS

The cash balances of substantially all funds except the Pension and Investment Trust Funds are maintained in the County's internal pool and invested by the County Treasurer Income from pooled investments is allocated to the funds based on average daily balances. As permitted by the Government Code, legally separate entities that are not part of this reporting entity also have individual investment accounts in the County Treasury These accounts are separate from the pool and are reported in the Investment Trust Fund Specific investments are acquired for these individual entities at their direction and the income from and changes in the value of those investments affect only the entity for which they were acquired. The Retirement Board directs the investment activity of the Pension Trust Fund

Cash and investments at June 30, 2000 (December 31, 1999 for the Pension Trust Fund and March 31, 2000 for the Housing Authority) are as follows (in thousands):

		County (Including Investment Trust Fund)	Pension Trust Fund	Children & Families Commission	Total
Deposits	$	68,637	9,550	1,630	79,817
Investments		1,325,428	3,004,231	15,929	4,345,588
Total	$	1,394,065	3,013,781	17,559	4,425,405

A. Deposits

Deposits include bank deposits at a carrying amount of $78,150,000 and the balance reported by various financial institutions was $53,273,000 The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $659,000 was covered by Federal depository insurance and $52,614,000 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code

According to Government Code Section 53601, bank obligations such as Certificates of Deposit are considered investments However, in accordance with generally accepted accounting principles, the County has classified Certificates of Deposit in the amount of $1,667,000 as deposits Of the Certificates of Deposit balance, $221,000 was insured and $1,446,000 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code

Under the California Government Code, a financial institution is required to secure deposits in excess of $100,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool The market value of the pledged securities in the collateral pool must equal at least 110.0 percent of the total amount deposited by the public agencies California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150 0 percent of the secured public deposits The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the public agency's name

B. Investments

Statutes authorize the County to invest in obligations of the United States Treasury, Federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, medium-term notes, negotiable certificates of deposit, mutual funds and investments in accordance with the statutory provisions governing the issuance of bonds

Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937 Statutes authorize a "prudent investor" guideline as to the form and types of investments which may be purchased

The County's investments (including the Investment Trust Fund) and those of the Pension Trust Fund are categorized separately on the following page to indicate the level of custodial credit risk assumed by each investment portfolio for their respective year-ends Category 1 includes investments that are insured or registered, or securities held by the County or its agent in the County's name Category 2 includes uninsured and unregistered investments with the securities held by the counter-party's trust department or agent in the County's name or in the agent's nominee name with subsidiary records listing the County as the legal owner Category 3 includes uninsured and unregistered investments, with the securities held by the counter-party or by its trust department or agent but not in the County's name Investments not evidenced by securities that exist in physical or book form cannot be categorized

The Local Investment Advisory Board (Board) has oversight responsibility for the State Treasurer's Local Agency Investment Fund (LAIF) The Board consists of five members as designated by State Statute The value of the pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the County's position in the pool

Investments at fair value as of June 30, 2000 (December 31, 1999 for the Pension Trust Fund and March 31, 2000 for the Housing Authority) are shown as follows (in thousands):

	Category			Carrying Amount at Fair Value
	1	2	3	
County (Including Investment Trust Fund)				
Negotiable certificates of deposit	$ 130,823	5,000		135,823
U S Government securities	244,181	14,884		259,065
Commercial paper	144,982	4,000		148,982
Medium-term notes	13,740	22,068		35,808
Local obligation bonds	157			157
Banker's acceptances		3,750		3,750
Repurchase agreements		269,694		269,694
Total	$ 533,883	319,396		853,279
State Treasurer's investment pool				298,793
Guaranteed investment contracts				135,897
Mutual funds				37,459
Total investments				$ 1,325,428
Pension Trust Fund				
Domestic stocks	$ 1,136,287			1,136,287
International stocks	60,227			60,227
Corporate & government bonds	496,310			496,310
International bonds	79,675			79,675
Commercial paper	22,000			22,000
Repurchase agreements		1,245		1,245
Total	$ 1,794,499	1,245		1,795,744
Mutual funds				974,906
Real estate				177,203
Alternative Investments				56,378
Total investments				$ 3,004,231
Children and Families Commission				
U S Government securities	$ 14,524			14,524
Commercial paper	1,405			1,405
Total investments	$ 15,929			15,929

C. Other Financial Instruments

In accordance with California statutes, the County may invest in a wide variety of investment instruments, including asset-backed securities, such as collateralized mortgage obligations and principal-only strips, forward contracts and reverse repurchase agreements.

The Treasurer holds principal-only strip instruments for the benefit of some County school districts Those school districts utilize the services of an independent financial advisor in determining their investment strategy.

The CCCERA has investments with trustees who hold part of their portfolio in Government and corporate obligations consisting of asset-backed securities, floating rate notes, constant maturity index Adjustable Rate Mortgages (ARMs), Collateralized Mortgage Obligations and LIBOR indexed ARMs

The County has entered into one forward contract to obtain a fixed rate of interest on money held for future debt payments

As of June 30, 2000 the County's proportionate share of structured notes and asset-backed securities held by LAIF was $18,609,000 or 6.23 percent of the County's investment in LAIF

Information is not available on whether the various mutual funds in which the County and CCCERA have invested, used, held or wrote derivative financial products during the year

The investments discussed above, which are included in the accompanying financial statements, represent 10.0 percent of total investments. The Treasurer's investment policy was approved by the Board of Supervisors In accordance with Government Code Sections 27130-27137, an investment oversight committee reviews the quarterly investment reports prepared by the Treasurer

D. Securities Lending by the Employees' Retirement Association (Pension Trust Fund)

The CCCERA's investment policy permits the use of a securities lending program with its principal custodian bank. The CCCERA lends U S Government obligations and domestic and international bonds and equities to various brokers for collateral that will be returned for the same securities plus a fee in the future The custodian bank provides loss indemnification to the CCCERA if the borrower fails to return the securities The custodian bank manages the securities lending program and receives cash and securities as collateral. The collateral cash cannot be invested and the collateral securities cannot be pledged or sold by the CCCERA without borrower default. Securities on loan must be collateralized at 102 0 percent and 105 0 percent of the fair value of domestic securities and non-domestic securities respectively. There are no restrictions on the amount of securities which can be loaned at one time The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the securities collateral Such matching existed at December 31, 1999 There were no losses associated with securities lending transactions during the year. At December 31, 1999, CCCERA has no credit risk exposure to borrowers The fair value of investments on loan at December 31, 1999 is $83,588,000, which was collateralized by cash and securities in the amount of $85,969,000

3. PROPERTY TAX

The County is responsible for assessing, collecting and apportioning property taxes Taxes are levied for each fiscal year on taxable real and personal property situated in the County The levy is based on the assessed values as of the preceding January 1st, which is also the lien date State code requires tax rates to be set no later than the first workday in September unless the Board of Supervisors elects to extend the deadline to October 3rd Property taxes on the secured roll are due in two installments: November 1st and February 1st and become delinquent after December 10th and April 10th, respectively Supplemental property taxes are levied based on changes in assessed values between the date of real property sales or construction completion and the preceding assessment date The additional supplemental property taxes are prorated from the first day of the month following the date of such occurrence. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31st

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the State Revenue and Taxation Code This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1st of each year

Under the alternate apportionment method, specified amounts of penalties and interest collected on delinquent secured taxes are held in trust in the Tax Losses Reserve Agency Fund This reserve is used to offset the impact of accumulated delinquency remaining at year end Property taxes which have been collected in advance of the levy year are reported in unapportioned taxes in the Unapportioned Taxes Agency Fund

4. NOTES RECEIVABLE

At June 30, 2000, the County had notes receivable balances of $28,912,000 Deferred revenues were recorded as an offset to these balances because the amounts are not available The notes receivable balances by fund type were as follows (in thousands):

	Amount
General Fund	$ 21,820
Special Revenue Funds	
Redevelopment Agency	3,533
Housing Authority	2,299
	$ 5,832
Capital Projects Fund:	
Redevelopment Agency	$ 1,260

The notes receivable balances in the General Fund and Housing Authority Special Revenue Fund consist of loans made with funds provided to the County under Federal Department of Housing and Urban Development programs The loans are made to carry out activities for affordable housing and economic development Generally, the loans are either deferred or collected on a residual receipts basis with all remaining principal and interest due on the earlier of the due date of the note or sale or transfer of property Any repayment of principal or interest is treated as program income, the use of which is restricted by Federal Regulations

5. FIXED ASSETS

The following is a summary of changes in general fixed assets for the year ended June 30, 2000 (March 31, 2000 for the Housing Authority) (in thousands):

	Balance July 1, 1999	Additions	Deletions	Transfers	Balance June 30, 2000
Land	$ 36,703	2,429			39,132
Buildings & improvements	350,103	34,205	(3,458)	1,303	382,153
Buildings & improvements-lease purchase	132,037	504		(1,303)	131,238
Equipment	85,604	12,670	(9,927)	1,809	90,156
Equipment-lease purchase	8,928	1,180		(1,809)	8,299
Total	$ 613,375	50,988	(13,385)		650,978

Enterprise Fund fixed assets at June 30, 2000 were as follows (in thousands):

	Airport	County Hospital	Health Maintenance Organization	Total Enterprise Funds
Land	$ 9,003	426		9,429
Buildings & improvements	27,768	121,393	73	149,234
Buildings & improvements-lease purchase	3,316			3,316
Equipment	621	34,660	204	35,485
Equipment - lease purchase	47	317	83	447
Construction-in-progress		8,590		8,590
Total	40,755	165,386	360	206,501
Less accumulated depreciation	(12,528)	(37,966)	(314)	(50,808)
Net fixed assets	$ 28,227	127,420	46	155,693

The Pension Trust Fund had net fixed assets of $176,000 This consisted of leasehold improvements and office equipment

6. SHORT-TERM NOTES

On June 30, 2000, the County had tax and revenue anticipation notes outstanding in the amount of $88,000,000 with interest at 4 0 percent per annum The notes were issued July 1, 1999, and will be redeemed September 29, 2000. Interest is payable on July 1, 2000 and at maturity The redemption monies were from taxes and other revenues transferred to a fiscal agent during the fiscal year Total interest incurred on these notes during fiscal year 1999-2000 was $3,510,000

7. LEASE COMMITMENTS

A. Operating Leases

Total rental expense for the year ended June 30, 2000 (March 31, 2000 for the Housing Authority) for all operating leases and month-to-month lease arrangements amounted to $7,617,000 for the General Fund, $1,085,000 for the Special Revenue Funds and $2,015,000 for the Enterprise Funds

At June 30, 2000 (March 31, 2000 for the Housing Authority) the future minimum rental payments required under non-cancelable operating leases for buildings and equipment, other than month-to-month lease arrangements, are as follows (in thousands):

Fiscal Year Ending June 30,	General Fund	Special Revenue Funds	Enterprise Funds
2001	$ 3,556	56	187
2002	2,866	58	191
2003	2,142	31	136
2004	1,714	8	100
2005	1,113		100
Thereafter	4,048		1,200
Total	$ 15,439	153	1,914

B. Capital Leases

The County has capital lease purchase agreements with the Contra Costa County Public Facilities Corporation, the County of Contra Costa Public Financing Authority and with other third parties The assets acquired under these lease agreements are included in the County's General Fixed Assets Account Group and in the Enterprise Funds The obligations related to these lease purchase agreements are also included in the County's General Long-Term Obligations Account Group and in the Enterprise Funds, and are summarized in Note 8

8. LONG-TERM OBLIGATIONS

Following is a summary of changes in long-term obligations for the year ended June 30, 2000 (March 31, 2000 for the Housing Authority) (in thousands):

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
General Long-Term Obligations				
Employee benefits payable	$ 25,387	3,182		28,569
Capital lease obligations	8,333	5,500	(3,906)	9,927
Certificates of participation	66,055		(2,235)	63,820
Advances from other funds	10,229		(2,978)	7,251
Pension bonds payable	313,190		(10,915)	302,275
Notes payable	486		(480)	6
Other bonds payable*	4,101		(1,057)	3,044
Lease revenue bonds	90,015		(2,400)	87,615
Tax allocation bonds	56,710		(560)	56,150
Special assessment debt	23,443		(1,791)	21,652
Total	$ 597,949	8,682	(26,322)	580,309
Enterprise Funds				
Employee benefits payable	$ 5,391	470		5,861
Capital lease obligations	3,520		(351)	3,169
Certificates of participation, net	125,862		(2,419)	123,443
Notes payable	965		(51)	914
Lease revenue bonds	8,090		(140)	7,950
Total	$ 143,828	470	(2,961)	141,337

* The July 1, 1999 balance has been restated as discussed in Note 10 A The effect of the restatement was that the the balance of the General Long-Term Obligations Account Group was reduced by $1,735,000

Following is a schedule of debt payment requirements to maturity for long-term obligations, excluding advances from other funds and employee benefits payable that have indefinite maturities, outstanding at June 30, 2000 (March 31, 2000 for the Housing Authority) (in thousands):

	General Long-Term Obligations							
Fiscal Year Ending June 30,	Capital Lease Obligations	Certificates of Participation	Pension Bonds Payable	Notes Payable	Other Bonds Payable	Lease Revenue Bonds	Tax Allocation Bonds	Special Assessment Debt
2001	$ 2,436	5,821	33,527	6	1,248	7,114	3,832	3,264
2002	2,098	6,083	35,410		535	7,164	3,840	3,214
2003	1,718	5,820	37,383		532	7,173	3,909	2,890
2004	943	5,833	39,459		534	7,170	3,912	2,893
2005	696	5,837	41,642		528	7,172	3,908	2,865
Thereafter	5,954	72,619	253,175			109,959	92,834	17,437
Total	13,845	102,013	440,596	6	3,377	145,752	112,235	32,563
Less amount representing interest	(3,918)	(38,193)	(138,321)		(333)	(58,137)	(56,085)	(10,911)
Liability at 6/30/2000	$ 9,927	63,820	302,275	6	3,044	87,615	56,150	21,652

	Enterprise Funds			
Fiscal Year Ending June 30,	Capital Lease Obligations	Certificates of Participation	Notes Payable	Lease Revenue Bonds
2001	$ 676	10,679	107	528
2002	760	10,656	108	527
2003	723	10,667	110	531
2004	819	10,649	111	530
2005	863	10,643	112	528
Thereafter		190,945	727	12,183
Total	3,841	244,239	1,275	14,827
Less:				
Amount representing interest	(602)	(105,044)	(361)	(6,877)
Original issue discount and deferred amount on refunding	(70)	(15,752)		
Liability at 6/30/2000	$ 3,169	123,443	914	7,950

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2000 are as follows (in thousands):

Issue	Original Issue	Annual Installments	Final Payment	Interest Rates	Outstanding at June 30, 2000
General Long-Term Debt					
Pension obligation bonds (5)	$ 337,365	$ 4,920-44,560	2011	5.55-6 80%	$ 302,275
Notes payable					
Service Area D-2 (4)	36	10	2000	None	6
Certificates of participation (1):					
1992 Municipal project	4,750	495-590	2002	4.90-5.50	1,150
1992 Consolidated capital projects	37,300	920-2,220	2019	5.50-9 50	28,895
1997 Capital projects	34,910	400-2,610	2021	3.55-5.10	33,775
					63,820
Lease revenue bonds (1):					
1998 Lease revenue	24,695	330-1,745	2024	3 80-5.15	24,365
1999 Lease revenue	66,560	2,265-5,463	2028	4.00-5 25	63,250
					87,615
Tax allocation bonds (3)					
1992 Tax allocation bond	29,315	295-1,740	2023	5.25-7 00	7,725
1995A Tax allocation bond	1,645	20-115	2025	3 90-7 00	1,555
1995B Tax allocation bond	2,735	40-200	2025	4 25-6 90	2,615
1999 Tax allocation bond	44,615	40-200	2028	4 00-5 125	44,255
					56,150

(continued)

Issue		Original Issue		Annual Installments	Final Payment	Interest Rates		Outstanding at June 30, 2000
Special assessment debt with government commitment (6)								
East Bates 93-1	$	2,105	$	140-230	2006	5 66-6 98%	$	1,345
Hidden Pond Road 93-1		757		35-75	2009	5 88-7 20		560
Kensington 91-1		4,684		150-300	2012	5 25-6 00		2,935
Mrack Road 92-1		2,313		15-45	2013	6 40-7 90		445
Pleasant Hill 87-1		8,785		510-770	2004	6 80-7 30		3,355
Pleasant Hill BART 93-5		1,530		45-140	2014	5 44-6 93		1,300
Rancho Paraiso 93-4		5,905		225-545	2016	5 83-7 74		4,690
San Ramon Valley 93-3		2,191		265-315	2001	5 93-6 61		620
San Ramon 89-1		980		65-90	2004	7 55-7 85		415
Wayside Plaza 91-2		2,010		115-190	2006	7 00-7 20		1,100
Pleasant Hill BART CFD 92-1		171		15-20	2015	8.00		157
Pleasant Hill BART CFD 98-1		4,785		55-505	2016	4 20-5 10		4,730
								21,652
Other bonds payable								
Recreation and park		4,485		370-510	2004	4 25-5 10		2,335
Storm drainage		200		5	2005	4 25		25
1997 Limited obligation bond (1)		2,523		354-356	2001	5 45		684
								3,044
Total General Long-Term Debt							$	534,562
Enterprise Long-Term Debt								
Notes payable (7):								
State Dept of Transportation		558		26-53	2010	6 06	$	457
State Dept of Transportation		300		15-27	2015	5 08		276
State Dept of Transportation		200		20-24	2009	5.48		181
								914
Lease revenue bonds (1):								
Hospital Enterprise								
1999 Lease revenue bonds, Los Medanos		8,125		165-530	2027	4 00-5 25		7,950
Certificates of participation, net (1)								
1997 Certificates of participation		145,340		3,020-4,548	2022	3 75-6 00		123,443
Total Enterprise Long-Term Debt							$	132,307

(concluded)

NOTES:

(1) Debt service payments are made from lease payments by the County General, Special Revenue and Hospital Enterprise Funds to the Public Facilities Corporation and the Public Financing Authority

(2) Debt service payments are made from restricted property taxes and other revenues recorded in the General and Debt Service Funds

(3) Debt service payments are made from tax increment financing

(4) Debt service payments are made from drainage fees and sanitation fees

(5) Debt service payments are made from retirement contributions

(6) Debt service payments are made from special assessments levies on properties in each assessment district The County administers the assessment and repayment of these bonds. Since early redemption is allowed, there may be differences between the earnings on money received from property owners wishing to pay off their debt early and the interest obligation that accumulates on their debt between the time they submit funds to the County and the next available redemption date, as stated in the bond's Official Statement. The County has historically funded this difference, and to that extent may be obligated in some manner for this debt

(7) Debt service payments are made from operating revenues

There are a number of limitations and restrictions contained in the various bond indentures County management believes that the County is in compliance with all significant limitations and restrictions

In prior years, the County has defeased certain obligations by placing a portion of the proceeds of new debt issuances in irrevocable trusts to provide for all future debt service payments on the refunded obligations. Accordingly, the trust account assets and the liability of the defeased debt are not included on the financial statements of the County On June 30, 2000, $158,804,012 in outstanding obligations are considered to be defeased.

9 INTERFUND BALANCES

Account balances at June 30, 2000 are as follows (in thousands)

	Due From Other Funds	Due To Other Funds	Advances From Other Funds	Advances To Other Funds
General Fund	$ 64,939	21,489		138
Special Revenue Funds:				
Road	564	1,981		
Library	209	508		
Fire Protection	487	404		
Health and Sanitation	185	1,573		
Service Areas	249	597		164
Flood Control	1,348	3,855		6,855
Law Enforcement	1,139	1,409		
Courts & Criminal Justice	201	181		
Recorder/Clerk Modernization	10	3		
Land Development	1,975	1,713		
Redevelopment Agency	117	23	3,806	
Child Development	183	788		
Other Special Revenue	1,002	27		4,677
Debt Service Fund:				
Pension Bond	2,728	977		
Capital Projects Funds:				
Redevelopment Agency	26	322	777	
County Facilities	2			
Enterprise Funds:				
Airport	94	80		
Employee Fitness Center	564	565		
County Hospital	22,753	17,880		
Health Maintenance Organization	13,627	17,238		
Major Risk Medical Insurance	2	2		
Internal Service Funds:				
Self-Insurance	3,892	1,739		
Fiduciary Funds:				
Pension Trust	1,813			
Investment Trust	49,549	50,148		
Agency	8,960	55,172		
Long-Term Obligations			7,251	
Subtotal	176,618	178,674	11,834	11,834
Adjustments:				
Pension Trust reported as of December 31, 1999	2,056			
Total	$ 178,674	178,674	11,834	11,834

10. FUND EQUITY

A. Prior Period Adjustments

During the fiscal year ended June 30, 2000 the Housing Authority elected to remove $1,830,000 ($1,501,000 for the Housing Authority Special Revenue Funds and $328,000 for the Housing Authority Debt Service Funds) of account balances associated with bonds payable These bonds were issued in the name of the Authority, however, all debt service amounts required for these bonds are the responsibility of the U.S. Department of Housing and Urban Development (HUD) Accordingly, the General Long-Term Obligations Account Group was restated and the balance reduced by $1,735,000

B. Reserve for Prepaid Items and Deposits

Reserves are less than total prepaid items and deposits because the General Fund advanced $305,000 to sub-grantees who will use the funds for Federal programs during the first quarter of fiscal year 2000-2001. As funds are spent, the County is reimbursed by the Federal government

11. RESIDUAL EQUITY TRANSFERS

A residual equity transfer of $199,000 was made from the Assessment Districts Debt Service Fund to the General Fund in preparation for closing the Blackhawk Redemption Fund

A residual equity transfer of $1,000 was made from the General Fund to the Service Areas Special Revenue Fund to clear negative salaries and benefits expenses

A residual equity transfer of $139,000 was made from the Regency Hills Enterprise Fund to the County Hospital Enterprise Fund to clear the remaining equity balance of Regency Hills and close the Fund

12. DEFICIT RETAINED EARNINGS

The Airport Enterprise Fund had a retained deficit of $399,000 due to an accumulation of annual operating losses, including depreciation This deficit should be eliminated as rents are received from anticipated fixed-base operators leasing space at the new Byron Airport and contractual rent increases at the Buchanan Airport. The Employee Fitness Center Enterprise Fund had maintained a retained deficit for several years The County was obligated to fulfill the lease agreement for the Employee Fitness Center until its expiration this year The Board of Supervisors has now closed the Center The Regency Hills Enterprise Fund had been operating with contributed capital received from a special district at the time the Fund was established The Regency Hills skilled nursing facility was sold in fiscal year 1997-1998 and the Fund has been closed

Three Internal Service Funds had retained deficits at June 30, 2000 The Medical Liability Insurance Fund had a deficit of $8,645,000. The County provided $3,000,000 in fiscal year 2000-2001 to reduce the deficit and plans to further evaluate funding options The Workers' Compensation Insurance County General Fund had a deficit of $4,036,000 The County's Risk Manager has re-evaluated its incentive method of establishing amounts charged to departments for funding Workers' Compensation Insurance to ensure adequate funding. The Automotive Liability Insurance Fund had a deficit of $872,000 It will have sufficient funding from investment earnings and charges to operating funds to cover disbursements as claims are paid

13. CONTRIBUTED CAPITAL CHANGES

Changes in contributed capital of the Enterprise Funds for the year ended June 30, 2000 are as follows (in thousands):

	Airport	County Hospital	Health Maintenance Organization	Regency Hills	Total
Balance as of July 1, 1999	$ 25,800	748	1,000	500	28,048
Federal and State construction grants	318				318
Return of contributed capital				(500)	(500)
Depreciation related to grants	(1,251)	(27)			(1,278)
Balance as of June 30, 2000	$ 24,867	721	1,000		26,588

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Financial data for the Enterprise Funds for the year ended June 30, 2000 are as follows (in thousands):

	Airport	Employee Fitness Center	County Hospital	Health Maintenance Organization	Major Risk Medical Insurance	Regency Hills	Total
Operating revenues	$ 2,897	61	197,873	87,702	317		288,850
Operating expenses (other than depreciation)	1,884	158	179,272	91,079	312		272,705
Depreciation	1,620	8	6,758	23			8,409
Operating income (loss)	(607)	(105)	11,843	(3,400)	5		7,736
Non-operating revenues, expenses, net	(300)	(19)	(6,843)			569	(6,593)
Net operating transfers	(59)	575	(15,058)	3,637			(10,905)
Net (loss) income	$ (966)	451	(10,058)	237	5	569	(9,762)
Current capital contributions	$ 318						318
Fixed asset acquisitions	285		16,599				16,884
Working capital	284		32,238	5,269	250		38,041
Total assets	28,926	565	221,439	36,230	254		287,414
Capital lease obligations	3,075		75	19			3,169
Certificates of participation, net			123,443				123,443
Other bonds and notes payable	914		7,950				8,864
Total equity	24,468		22,634	5,045	250		52,397

The County pays a subsidy to the County Hospital and Health Maintenance Organization Enterprise Funds to provide resources for operating costs which are in excess of operating revenues Subsidies for the last three years are as follows (in thousands)

Year Ended June 30,	Total Subsidy
1998	$ 13,665
1999	13,765
2000	17,856

Subsidies have declined since 1995 as certain health and welfare realignment revenues, previously recorded in the General Fund and transferred via subsidy to the Hospital and the Health Maintenance Organization, are now recorded directly to those funds as intergovernmental revenue In fiscal year 1999-2000, these intergovernmental revenues were $6,578,000 for the Hospital and $13,018,000 for the Health Maintenance Organization.

15. MORTGAGE REVENUE BONDS

Home mortgage revenue bonds have been issued in the County's name to provide mortgage loans secured by first trust deeds on newly constructed and existing residences The program provides low interest rate mortgage loans to persons who find it difficult to qualify for conventional mortgages at market rates

The bonds do not constitute an indebtedness of the County They are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures These bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State, or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the General Long-Term Obligations Account Group

The total amount of mortgage revenue bonds outstanding at June 30, 2000 was $19,440,000

16. RISK MANAGEMENT

The County self-insures its unemployment, dental and management long-term disability. The County is self-insured to $750,000 per occurrence for workers' compensation, and maintains $10 million of excess insurance coverage per occurrence with commercial insurance carriers The County is self-insured to $1 million per occurrence on public and automobile liability, and maintains $25 million excess insurance coverage with commercial insurance carriers Liability claims arising from operations at the County's two airports are fully insured to $100 million under a separate commercial insurance policy The County is self-insured to $500,000 per occurrence on medical malpractice and maintains $11 million of excess insurance with commercial insurance carriers. All claims are adjusted in-house by the County, except for dental which is adjusted by outside parties

The County maintains up to $550 million "All Risk" insurance coverage subject to a $50,000 deductible to cover its property, except for loss by earthquake and flood Loss by flood is subject to a $100,000 deductible. With respect to loss from the peril of earthquake, up to $350 million of protection is available, subject to a 5.0 percent deductible at each location

The County maintains a separate insurance policy to cover the Sheriff-Coroner's helicopter for $1 6 million and up to $50 million for liability arising from the helicopter use

During the past three years there have been no instances of the amount of claim settlements exceeding insurance coverage.

Internal Service Funds are used to account for the County's self-insurance activities It is the County's policy to provide in each fiscal year, by charges to affected operating funds, amounts sufficient to cover the estimated expenditures for self-insured claims Charges to operating funds are recorded as expenditures/expenses of such funds and revenues of the Internal Service Funds Accrual and payment of claims are recorded in the Internal Service Funds.

The County has accrued a liability of $80.3 million at June 30, 2000 for all self-insured claims in the Internal Service Funds which includes an amount for incurred but not reported claims The self-insurance reserve is based on actuarially determined amounts for workers' compensation, public and automobile liability, and medical liability and based on management's estimates for all other reserves In the opinion of the County, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the Funds' claims liability amount in fiscal years 1999-2000 and 1998-1999 were (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
1999-2000	$ 84,198	20,866	(24,727)	80,337
1998-1999	73,353	34,586	(23,741)	84,198

The actuarially determined claims liabilities, including incurred but not reported claims, are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that modify past experience. It also includes incremental claim adjustment expenses. In addition, estimated recoveries on settled and unsettled claims were evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims.

17. COMMITMENTS AND CONTINGENCIES

A. Grants

The County participates in a number of Federal and State grant programs which are subject to financial and compliance audits by the grantors or their representatives Audits of certain grant programs through June 30, 2000 have not yet been conducted Accordingly, the County's compliance with applicable grant requirements will be established at some future date The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time The County believes that such disallowances, if any, would not have a material effect on the general-purpose financial statements

B. Health Insurance

Health care benefits for active and retired employees are jointly financed by the beneficiaries and by the County. Most employees have a choice of participation in five medical plans: Kaiser Permanente, a private health maintenance organization (HMO); Foundation Health Systems, a preferred provider plan (PPO); Health Net (PPO); and the Contra Costa Health Plans (CCHP) A and B, operated by the County Health Services Department. Employees represented by either the Deputy Sheriffs' Association (DSA), District Attorney Investigators' Association (DAIA), or United Professional Fire Fighters' IAFF Local 1230 are eligible to participate in medical plans administered by the California Public Employees' Retirement System (CalPERS)

For non-CalPERS administered medical plans, the County subvents 80 0 percent of Kaiser, 63.0 percent Health Net, 80 0 percent of Foundation Health Systems and 98 0 percent of CCHP A and 90 0 percent of CCHP B premiums for plan members The County subvention for CalPERS administered plans is a flat rate depending on the employees' union representation and the number of dependents covered under the plans All permanent employees have a choice of three dental plans· a County self-funded plan administered by Delta Dental, and Safeguard A or B plans The County's self-funded plan is an indemnity program and the Safeguard plans are prepaid programs

The County's contribution to health and dental plans during fiscal year 1999-2000 for active employees was $35,268,000 The County's liability for health care benefits is limited to its annual contribution

C. Post-Employment Benefits Other Than Pensions

In addition to providing retirement benefits as described in Note 18, retired employees are allowed to continue participation in the medical and dental plans described above As of June 30, 2000, there were 3,786 retired employees participating in the health plans, and the County contributed $12,250,000 toward payment of the premiums. The cost of retiree health care is recognized when the County makes its contribution on a pay-as-you-go basis and is accounted for in the General Fund, Special Revenue Library and Fire District Funds, Enterprise Funds, or Fiduciary Funds as appropriate This post-employment benefit was approved by Board of Supervisors resolution number 264 on August 22, 1961 with an effective date of October 1, 1961 To be eligible, the retiring employee must have been a member of a participating health plan for at least five consecutive years

D. Special Assessment Debt

The County is considered to be "obligated in some manner," as defined by Governmental Accounting Standards Board Statement No 6, *Accounting and Financial Reporting for Special Assessments*, for its special assessment debt The County is obligated to foreclose on properties for which owners have failed to pay assessments installments as they fall due and the County may honor deficiencies to the extent that lien foreclosure proceeds are insufficient The County's obligation to advance monies to pay debt service in the event of delinquent assessment installments is limited to the amount of remaining original bond proceeds and installments received Special assessment debt is included in the County's General Long-Term Obligations Account Group and special assessment transactions are included in the Assessment Districts Debt Service Fund Debt service payments are made from special assessments of the related special assessment district.

E. Construction Commitments

The County Hospital had entered into contracts for the construction of certain projects At June 30, 2000, there were outstanding commitments of $3,341,000 for improvements to the Los Medanos Health Center and $4,748,000 for the Clinical and Public Health Laboratory

The County had entered a contract for the construction of the State Route 4 Bypass Project. At June 30, 2000, there was an outstanding commitment of $2,468,000 for this project

F. Pending Legal Matters

Numerous lawsuits are pending or threatened against the County The County has recorded actuarially determined reserves in the Internal Service Funds to adequately cover estimated potential material adverse losses at June 30, 2000

18. PENSION PLAN

A. Plan Description

The Contra Costa County Employees' Retirement Association (CCCERA) is a cost-sharing multiple-employer defined benefit pension plan (the plan) governed by the County Employees' Retirement Law of 1937 (the "1937 Act") The plan covers substantially all of the employees of the County, its special districts, the Housing Authority and thirteen other member agencies The plan issues a stand-alone financial statement which can be directly obtained from its office, as indicated in note 1A

The plan provides for retirement, disability, death and survivor benefits, in accordance with the 1937 Act. Annual cost-of-living adjustments to retirement benefits can be granted by the Retirement Board as provided by State statutes

The plan is divided into four separate benefit sections of the 1937 Act These sections are known as: General - Tier I, General - Tier II, General - Tier III and Safety Tier I includes members not mandated to be in Tier II and reciprocal members that elect Tier I membership Tier II includes members hired on or after August 1, 1980, by the three employers adopting this benefit provision and their members who elected to transfer from Tier I at that date Tier III was approved by the Board of Supervisors in January 1998 and implementation began in October 1998. Safety includes members in active law enforcement, active fire suppression work or certain other "Safety" classifications as designated by the Retirement Board

Service retirement benefits are based on age, length of service and final average salary For the Tiers I, III and Safety sections, the retirement benefit is based on an average of the 12 highest pay months, in accordance with Government Code Section 31462 For Tier II, the benefit is based on a 36 month average salary

As of June 30, 2000, 3,286 Tier II employees with five years service were eligible to irrevocably elect Tier III. Members eligible for Tier III are required to elect or decline enrollment As of June 30, 2000, 2,608 employees elected Tier III Subsequent enrollments will occur as more employees from Tier II acquire five years of service.

B. Funding Policy

Pursuant to provisions of the 1937 Act, the Retirement Board recommends the annual contribution rates for adoption by the Board of Supervisors New contribution rates, based on the actuarial study as of January 1, 1999, became effective July 1, 1999 The contribution requirements are determined as a percentage of payroll

The employer rates were calculated on the alternate funding method permitted by Section 31453 5 of the Government Code The "entry age normal funding" method is used to calculate the rate required to provide all the benefits promised to a new member Unfunded costs resulting from this calculation are amortized over 20 years from the January 1, 1999 valuation date

Active plan members are required to contribute an actuarially determined percentage of their annual covered salary The required percentage rates vary according to the benefit section and entry age of the employee. The rates in effect during fiscal year 1999-2000 (based on covered payroll as of January 1, 1999) ranged from 2.1 percent to 10.4 percent of the employees' annual covered salary

The County employer rates of contribution, calculated as a percentage of the County's covered payroll of $328,581,000 as of January 1, 1999, for fiscal year 1999-2000 were:

General Members, Tier I	14 84%
General Members, Tier II	8 29
General Members, Tier III	10 08
Safety Members	16 72

The following table shows the County's required contributions and the percentage contributed, for the 1999 calendar year and each of the two preceding years:

Calendar Year		Annual County Required Contribution (ARC)	Percentage Contributed by County
1997	$	28,690,877	100
1998		30,022,276	100
1999		32,565,990	100

19. MEDICARE AND MEDI-CAL PROGRAMS

The County Hospital provides services to eligible patients under Medi-Cal and Medicare programs For the fiscal year ended June 30, 2000, the Medi-Cal program represented 45.0 percent and the Medicare program represented approximately 19 0 percent of the Hospital's gross patient service revenues Medi-Cal inpatient services are reimbursed on a per diem basis, outpatient services under a cost-reimbursement methodology Medicare inpatient services are reimbursed based upon pre-established rates for diagnostic-related groups Outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology Final reimbursement is determined as a result of audits by the intermediary of annual cost reports submitted by the Hospital. Reports on the results of such audits have been received through June 30, 1997 and 1998 for Medicare and Medi-Cal respectively. Adjustments as a result of such audits are recorded in the year the amount can be determined. The Hospital Enterprise Fund accounts receivable of $28,767,000 is reported net of contractual and other allowances of $39,199,000

20. EXPENDITURE IN EXCESS OF BUDGET

The Redevelopment Agency (RDA) Debt Service Funds had a negative expenditure variance for interest expense of $176,000 This was due to the RDA calculating the budget amount on a cash basis while the actual amount was calculated on an accrual basis

21. SUBSEQUENT EVENTS

2000-2001 Tax and Revenue Anticipation Notes

On July 1, 2000, the County issued $55,000,000 of short-term tax and revenue anticipation notes. The notes bear interest at 5.25 percent and mature on October 1, 2001

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following summary discussion of selected features of the Trust Agreement, dated as of February 1, 1994, as supplemented by the First Supplemental Trust Agreement, dated as of March 1, 2001 (together, the "Trust Agreement"), are made subject to all of the provisions of such document and to the discussion of such document contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete text of the Trust Agreement, copies of which are available upon request from the office of the County Administrator, County of Contra Costa.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms used in the Trust Agreement and this Official Statement, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Certain capitalized terms used in the Official Statement but not defined in this Appendix D are defined elsewhere in the Official Statement.

"Act" means Articles 10 and 11 (commencing with Section 53570) of Chapter 3, Division 2, Title 5 of the Government Code of the State of California.

"Additional Bonds" means all bonds of the County authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with Article III of the Trust Agreement.

"Association" means the Contra Costa County Employees Retirement Association.

"Authorized Representative" means the County Administrator of the County or any designee thereof, the Chief Assistant County Administrator of the County, the Director, Capital Facilities and Debt Management, of the County or the Chair of the Board of Supervisors of the County or any other person designated by resolution of the Board of Supervisors to act as an Authorized Representative under the Trust Agreement.

"Bonds" means the 1994 Bonds, the 2001 Bonds and all Additional Bonds.

"Business Day" means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

"Certificate of the County" means an instrument in writing signed by the County Administrator of the County or his designee, or by a Deputy Administrator of the County, or by any other officer of the County duly authorized by the Board of Supervisors of the County in writing to the Trustee for that purpose.

"Closing Date" means with respect to the 1994 Bonds, February 16, 1994, and with respect to the 2001 Bonds, March 20, 2001.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the County and the Trustee, dated as of March 1, 2001, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the County, initially being San Francisco, California. The Trustee may designate in writing to the County and the Owners such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable by or reimbursable to the County and related to the authorization, execution and delivery of the amendments to the Trust Agreement and the related sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, fees, legal fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, premiums, fees and expenses of municipal bond insurers, surety bond providers and credit facility providers, fees and expenses relating to the tender, refunding and defeasance of the Bonds, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the issuance of the Bonds.

"County" means the County of Contra Costa, a political subdivision and body corporate and politic of the State.

"Eligible Securities" means any of the following:

1. Non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States. These include, but are not limited to:

- U.S. Treasury Obligations
  All direct or fully guaranteed obligations

- Farmers Home Administration
  Certificates of beneficial ownership

- General Services Administration
  Participation certificates

- U.S. Maritime Administration
  Guaranteed Title XI financing

- Small Business Administration
  Guaranteed participation certificates
  Guaranteed pool certificates

- Government National Mortgage Association (GNMA)
  GNMA - guaranteed mortgage-backed securities
  GNMA - guaranteed participation certificates

- U.S. Department of Housing and Urban Development
  Local authority bonds

- Washington Metropolitan Area Transit Authority
  Guaranteed transit bonds

- State and Local Government Series

- Veterans Administration
  Guaranteed REMIC Pass-through certificates

2. Non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government. These include, but are not limited to:

- Federal Home Loan Mortgage Corp. (FHLMC)
  Debt Obligations

- Farm Credit System (Formerly: Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives)
  Consolidated Systemwide bonds and notes

- Federal Home Loan Banks (FHL Banks)
  Consolidated debt obligations

- Federal National Mortgage Association (FNMA)
  Debt Obligations

- Student Loan Marketing Association (SLMA)
  Debt obligations

- Resolution Funding Corp. (REFCORP)
  Debt obligations

- U.S. Agency for International Development (U.S. A.I.D.)
  Guaranteed Notes (must mature at least 4 business days before the appropriate payment date)

3. Certain stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U.S. Treasury, and REFCORP securities stripped by the Bank of New York. (No custodial receipts, i.e. CATs, TIGERS, unit investment trusts and mutual funds, etc. will be permitted).

"Escrow Agreement" means that escrow agreement, entitled "Escrow Agreement" dated as of March 1, 2001, between the County and the Trustee.

"Event of Default" shall have the meaning specified in the Trust Agreement.

"First Supplemental Trust Agreement" means the First Supplemental Trust Agreement, dated as of March 1, 2001, by and between the County and the Trustee, executed and delivered in accordance with the Trust Agreement and which is supplemental to the Trust Agreement.

"Holder" means any person who shall be the registered owner of any Outstanding Bond.

"Interest Payment Date" means a date on which interest is due on the Bonds, being June 1 and December 1 of each year to which reference is made.

"1994 Bonds" means all bonds of the County authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with Article II of the Trust Agreement.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"Original Purchaser of the 2001 Bonds" means Bear, Stearns & Co., Inc., as original purchaser of the 2001 Bonds.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement pertaining to Bonds owned or held by or for the account of the County) all Bonds except --

(1) Bonds cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the defeasance section of the Trust Agreement; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the County pursuant to the Trust Agreement.

"Permitted Investments" means any of the following to the extent permitted by the laws of the State:

(1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and securities which represent an undivided interest in such direct obligations), and also any authorized securities, the timely payment of both the principal of and

interest on which is guaranteed fully and directly by the full faith and credit of the United States of America;

(2) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under said act; bonds, debentures, participation certificates or other obligations of the Government National Mortgage Association or the Federal National Mortgage Association established under the National Housing Act, as amended;

(3) Demand deposits, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, including the Trustee, or a state or national savings and loan association, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or (ii) issued by any bank or trust company organized under the laws of any state of the United States, or any national banking association (including the Trustee), having a combined capital and surplus of at least $500,000,000, whose non-guaranteed senior debt is rated in one of the two highest long-term rating categories by the Rating Agencies and such certificates shall have maturities of six months or less;

(4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee) or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured at all times by collateral security described in clause (1) or (2) of this definition and in which the Trustee has a perfected security interest, and which collateral (a) is held by the Trustee or a third party agent, (b) is not subject to liens or claims of third parties, (c) has a market value determined as frequently and in an amount sufficient to satisfy the collateralization levels required by the Rating Agencies, and (d) failure to maintain the requisite collateral level will require the liquidation of the collateral;

(5) Bankers' acceptances which are issued by a bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) rated in one of the two highest long-term rating categories by the Rating Agencies; provided, that such banker's acceptances may not exceed 270 days' maturity;

(6) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by the Rating Agencies, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars ($500,000,000) and whose debentures, other than commercial paper, are rated in one of the two highest long-term rating categories by the Rating Agencies; provided that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuer corporation;

(7) Bonds, notes, warrants or other evidence of indebtedness of any of the states of the United States or of any political subdivision or public agency thereof which

are rated in the highest short-term or one of the two highest long-term rating categories by the Rating Agencies;

(8) Government money market portfolios or money market funds restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, which portfolios shall have an "AAA" or equivalent by the Rating Agencies, including funds for which First Interstate Bancorp, its affiliates or subsidiaries provide investment advisory or other management services;

(9) Tax exempt securities rated "AAA" or equivalent by the Rating Agencies, for which the interest and principal has been provided by an escrow deposit which, in the opinion of an Independent Certified Public Accountant, is fully sufficient to pay the principal of and interest and redemption premium, if any, on such tax exempt securities at their stated maturity or redemption date;

(10) Guaranteed investment contracts in a form approved by the Rating Agencies with entities the unsecured debt securities of which are rated in one of the two highest long-term rating categories by the Rating Agencies or the equivalent of such ratings by virtue of guarantees or insurance arrangements;

(11) The pooled investment fund of the County of Contra Costa, California, which is administered in accordance with the investment policy of said County as established by the Treasurer/Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer/Tax Collector;

(12) The Local Agency Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time); and

(13) Any other investment authorized by the County which does not adversely affect the then current ratings on the Bonds.

"Rating Agencies" means Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the event that Moody's Investors Service, Inc. or Standard & Poor's Corporation no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody's Investors Service, Inc., Standard & Poor's Corporation or other nationally recognized rating agency then maintains a rating on the Bonds.

"Record Date" means, with respect to an Interest Payment Date, the fifteenth day (whether or not such day is a Business Day) of the month immediately preceding such Interest Payment Date.

"Retirement Law" means the County Employees Retirement Law of 1937, consisting of Division 4 of Title 3 of the Government Code of the State.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"State" means the State of California.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the County and the Trustee amending or supplementing the Trust Agreement, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trust Agreement" means the trust agreement, entitled "Trust Agreement" and dated as of February 1, 1994, as supplemented the First Supplemental Trust Agreement, dated as of March 1, 2001, between the County and the Trustee, as originally executed or as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

"Trustee" means BNY Western Trust Company, or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

"2001 Bonds" means the County of Contra Costa, California, Taxable Pension Obligation Bonds, Refunding Series 2001, authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with Article XIV of the First Supplement Trust Agreement.

"2001 Insurance Policy" means the insurance policy issued by the 2001 Bond Insurer guaranteeing the scheduled payment of principal of and interest on the 2001 Insured Bonds when due.

"2001 Insured Bonds" means the 2001 Bonds maturing on June 1, 2011 and thereafter.

"2001 Bond Insurer" means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto as assignee thereof.

"Written Request of the County" means an instrument in writing signed by the County Administrator of the County or his designee, or by a Deputy County Administrator of the County or by any other officer of the County duly authorized by the Board of Supervisors of the County in writing to the Trustee for that purpose.

THE TRUST AGREEMENT

The First Supplemental Trust Agreement to be entered into between the County and the Trustee will be dated as of March 1, 2001 and will be executed prior to the delivery of the 2001 Bonds. The Trust Agreement, among other things, provides for the issuance, execution and delivery of the Bonds and sets forth the terms thereof, provides for the creation of certain of the funds described below, includes certain covenants of the County, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Trust Agreement setting forth the terms of the 2001 Bonds, the redemption provisions thereof and the use of the proceeds of the 2001 Bonds are set forth elsewhere in this Official Statement. See "DESCRIPTION OF THE 2001 BONDS."

The Trustee

BNY Western Trust Company has been appointed by the County as Trustee. The Trustee will receive all of the Bond proceeds for disbursement in conformity with the Trust Agreement. In addition, the Trustee will act as registrar of the Bonds. Payments of principal of, interest or premium, if any, on the Bonds and the transfer or exchange of Bonds will be made through the San Francisco corporate trust office of the Trustee.

Creation of Special Funds and Accounts

The Trust Agreement provides for the establishment of the following special trust funds and accounts, among others, all to be held and administered by the Trustee: the Bond Fund, the Interest Account, the Principal Account, the Surplus Account, the Costs of Issuance Fund (2001 Bonds) and the Special Payments Fund. Moneys in the Interest Account will be used to make interest payments on all Outstanding Bonds. Moneys in the Principal Account will be used to make principal payments on all Outstanding Bonds and any sinking fund payments required to be made. Moneys in the Costs of Issuance Fund (2001 Bonds) will be used to pay the Costs of Issuance of the 2001 Bonds. Moneys in the Special Payments Fund will be used and withdrawn by the County for any County purpose upon a Written Request of the County to the Trustee pursuant to the Trust Agreement.

Bond Fund; Deposits to Bond Fund

In order to meet the County's obligations under Section 31453.5 of the Retirement Law, the County is required to deposit or cause to be deposited with the Trustee the amount which, together with any moneys transferred from the Surplus Account, is sufficient to pay the County's obligations on the Bonds for such fiscal year within 30 days of the commencement of each fiscal year. If the Trustee shall determine, at any time after such deposit, that insufficient funds are held in the Bond Fund to pay principal of and interest on the Bonds estimated to be due in such fiscal year, the Trustee shall promptly notify the County of such deficiency, and the County shall make the necessary deposit to eliminate such deficiency. All amounts payable by the County under the Trust Agreement are required to be promptly deposited by the Trustee upon receipt thereof into the Bond Fund.

Moneys in the Bond Fund will be transferred to and deposited in the following respective accounts in the following order of priority:

(a) Interest Account. On each June 1 and December 1, that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1, as the case may be. No deposit need be made to the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

(b) Principal Account. On each June 1, that amount of money equal to the amount of all sinking fund payments required to be made on such June 1 into the respective sinking funds accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such June 1. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such June 1 plus the aggregate amount of all sinking fund payments required to be made on such June 1 for all Outstanding Term Bonds.

(c) Surplus Account. Following the deposits set forth above, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account. Moneys deposited in the Surplus Account, including any earnings thereon, shall be transferred by the Trustee to the Bond Fund at least one (1) Business Day prior to the first Business Day of each fiscal year. Any moneys remaining in the Surplus Account after the final payment of the Bonds shall be returned to the County.

Investments

Subject to certain provisions of the Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement is required to be invested in Permitted Investments at the Written Request of the County filed with the Trustee at least two Business Days in advance of the making of such investment. If no Written Request of the County is received, the Trustee is required to invest funds held by it in Permitted Investments described in clause 8 of the definition thereof. Such investments are required to mature, as nearly as practicable, on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested will be deposited in the Bond Fund.

Additional Bonds

The County may at any time issue Additional Bonds on a parity with the 1994 Bonds, but only subject to the following specific conditions as set forth in the Trust Agreement:

(a) The County will be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Bonds will have been authorized pursuant to the Act and will have been provided for by a Supplemental Trust Agreement which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds will be applied solely for (i) the purpose of satisfying any obligation to make payments to the Association pursuant to the Retirement Law relating to pension benefits accruing to the Association's members, and/or for payment of all costs incidental to or connected with the

issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount and designation of such Additional Bonds;

(3) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(4) The Interest Payment Dates for such Additional Bonds;

(5) The denomination or denominations of and method of numbering such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account; and

(8) Such other provisions (including the requirements of a book-entry Bond registration system, if any) as are necessary or appropriate and not inconsistent with the Trust Agreement.

Procedure for Issuance of Additional Bonds

Before Additional Bonds may be issued, the County is required to file or cause to be filed the following documents with the Trustee:

(a) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(b) A Written Request of the County as to the delivery of such Additional Bonds;

(c) An Opinion of Counsel to the effect that (1) the County has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the County and (2) such Additional Bonds are valid and binding obligations of the County entitled to the benefits of the Act and the Trust Agreement, and such Additional Bonds have been duly and validly issued in accordance with the Act and with the Trust Agreement;

(d) A Certificate of the County containing such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement; and

(e) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Events of Default

If one or more of the following events (herein called "events of default") shall happen, that is to say:

(a) if default shall be made by the County in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the County in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the County in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the County, and such default shall have continued for a period of 60 days after the County shall have been given notice in writing of such default by the Trustee or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected;

(d) if the County shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the County or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such event of default the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the County, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing.

The foregoing provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the County shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding, by written notice to the County and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Limitation on Bondholders' Right to Sue

No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted to it in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee. Such notification, request, tender of indemnity and refusal or omission are conditions precedent to the exercise by any owner of Bonds of any remedy under the Trust Agreement.

Application of Funds Upon Acceleration

All moneys in the funds and accounts held by the Trustee under the Trust Agreement upon the date of the declaration of acceleration by the Trustee and all amounts in the funds and accounts (other than amounts on deposit in the Rebate Fund) thereafter received by the County under the Trust Agreement is required to be transmitted to the Trustee and is required to be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel, and to the payment of the costs and expenses of the Trustee, if any, in carrying out remedies provided for in the Trust Agreement, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Trustee; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Amendment of Trust Agreement

The Trust Agreement and the rights and obligations of the County and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the County and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes --

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the County other agreements and covenants thereafter to be performed by the County, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred on the County in the Trust Agreement;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising under the Trust Agreement which the County may deem desirable or necessary and not inconsistent with the Trust Agreement;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Holders);

(d) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute; or

(e) to modify, amend or supplement the Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of holders of Bonds.

Discharge of Bonds

(a) If the County pays or causes to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and in the Bonds, then all agreements, covenants and other obligations of the County to the Holders of such Bonds under the Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee is required to pay over or deliver to the County all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subparagraph (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Eligible Securities or Permitted Investments of the type described in clause (1) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Eligible Securities or Permitted Investments issued or held in book-entry form on the books of the County or the Treasury of the United States of America) or tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Eligible Securities or Permitted Investments and which are then rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Provisions Relating to 2001 Bond Insurance

The 2001 Bond Insurer shall, to the extent it makes any payment of principal of or interest on the 2001 Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2001 Bond Insurance Policy.

The 2001 Bond Insurer shall be deemed to be the sole holder of the 2001 Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2001 Insured Bonds are entitled to take pursuant to Article VII and Article VIII of the Trust Agreement. The maturity or maturities of the 2001 Insured Bonds shall not be accelerated without the consent of the 2001 Bond Insurer.

In the event the maturity or maturities of the 2001 Insured Bonds are accelerated, the 2001 Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the County), and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 2001 Bond Insurer's obligations under the 2001 Insurance Policy with respect to such 2001 Insured Bonds shall be fully discharged.

No modification, amendment or supplement to the Trust Agreement that requires the consent of the Holders of 2001 Insured Bonds shall become effective except upon obtaining the prior written consent of the 2001 Bond Insurer,

The right of the 2001 Bond Insurer to direct or consent to County, Trustee or Holder actions under the Trust Agreement shall be suspended during any period in which the 2001 Bond Insurer is in default in its payment obligations under the 2001 Insurance Policy (except to the extent of amounts previously paid by the 2001 Bond Insurer and due and owing to the 2001 Bond Insurer) and shall be of no force or effect in the event the 2001 Insurance Policy is no longer in effect or the 2001 Bond Insurer asserts that the 2001 Insurance Policy is not in effect or the 2001 Bond Insurer shall have provided written notice that it waives such rights.

The rights granted to the 2001 Bond Insurer under the Trust Agreement to request, consent to or direct any action are rights granted to the 2001 Bond Insurer in consideration of its issuance of the 2001 Insurance Policy. Any exercise by the 2001 Bond Insurer of such rights is merely an exercise of the 2001 Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Holders nor does such action evidence any position of the 2001 Bond Insurer, positive or negative, as to whether Holder consent is required in addition to consent of the 2001 Bond Insurer.

The 2001 Bond Insurer shall be entitled to pay the principal of or interest on the 2001 Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the County (as such terms are defined in the 2001 Bond Insurance Policy) and any amounts due on the 2001 Insured Bonds as a result of acceleration of the maturity or maturities thereof in accordance with the Trust Agreement, whether or not the 2001 Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the 2001 Bond Insurance Policy) or a claim upon the 2001 Bond Insurance Policy.

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2001 Bonds The 2001 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of the 2001 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2001 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2001 Bonds, except in the event that use of the book-entry system for the 2001 Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC The deposit of 2001 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership DTC has no knowledge of the actual Beneficial Owners of the 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2001 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2001 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2001 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the County or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2001 Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2001 Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2001 Bonds will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of March 1, 2001, is executed and delivered by the COUNTY OF CONTRA COSTA, CALIFORNIA (the "County"), and BNY WESTERN TRUST COPANY, as trustee (the "Trustee") in connection with the issuance by the County of its Taxable Pension Obligation Bonds, Refunding Series 2001 (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement dated as of February 1, 1994 (the "Trust Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of March 1, 2001, between the County and BNY Western Trust Company, as successor trustee (the "Trustee") Pursuant to the Trust Agreement, the County has covenanted to comply with its obligations hereunder and to assume all obligations for Continuing Disclosure with respect to the Bonds. The County and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County, the Trustee and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the County Administrator, Director, Capital Facilities and Debt Management or his or her designee, or such other officer or employee as the County shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent, which may be designated in writing by the County and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Securities and Exchange Commission as of the date of this Agreement are set forth at the following website: http://www.sec.gov/consumer/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters or underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the County's fiscal year (presently June 30), commencing with the report for the 2000-2001 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the County may distribute the Annual Report itself after providing written notice to the Trustee and the Dissemination Agent. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County to determine if the County is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) to the extent the County has provided the Annual Report to the Dissemination Agent, file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions:

(a) "APPENDIX B – COUNTY FINANCIAL INFORMATION – Recent County General Fund Budgets" (update table entitled "COUNTY OF CONTRA COSTA GENERAL FUND BUDGET");

(b) "APPENDIX B -- COUNTY FINANCIAL INFORMATION -- Ad Valorem Property Taxes" (update table entitled "COUNTY OF CONTRA COSTA SUMMARY OF ASSESSED VALUATIONS AND AD VALOREM PROPERTY TAXATION");

(c) "APPENDIX B – COUNTY FINANCIAL INFORMATION – Accounting Policies, Reports and Audits" (update table entitled "COUNTY OF CONTRA COSTA GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES");

(d) "APPENDIX B – COUNTY FINANCIAL INFORMATION – Long Term Obligations -- General Obligation Debt" and "--Lease Obligations" (update table on annual debt service)

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5 and to the extent applicable, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Holders of Bonds;

4. optional, contingent or unscheduled bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform; and

11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, promptly upon obtaining actual knowledge at its principal corporate trust office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the County promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f); provided that, failure by the Trustee to so notify the Disclosure Representative and make such request shall not relieve the County of its duty to report Listed Events as required by this Section 5.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the County has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the County determines that the Listed Event would not be material under applicable federal securities laws, the County shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence.

(f) If the Trustee has been instructed by the County to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

(g) The Trustee may conclusively rely on an opinion of counsel that the County's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. Each party's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent and the Trustee shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the County provided such amendment does not impose any greater duties, nor risk of liability, on the Trustee or the Dissemination Agent, as the case may be), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the County, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee (and, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the County, the Trustee and the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Trustee shall receive reasonable compensation for the performance of its duties.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the County:	County of Contra Costa County Administrator's Office 651 Pine Street, 6th Floor Martinez, CA 94553-0063 Attention: Laura W. Lockwood, Director of Capital Facilities and Debt Management Telephone: (925) 335-1098 Fax: (925) 646-1228
If to the Trustee:	BNY Western Trust Company 550 Kearny Street, Suite 600 San Francisco, CA 94108 Attention: Corporate Trust Telephone: (415) 263-2416 Fax· (415) 399-1647

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

COUNTY OF CONTRA COSTA

By________________________________
Chair of the Board of Supervisors
County of Contra Costa,
State of California

Attest: Clerk of the Board of Supervisors
and County Administrator

By ________________________________
Chief Clerk of the Board of Supervisors

Approved as to form:

____
County Counsel

BNY WESTERN TRUST COMPANY,
as Trustee

By________________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of County: County of Contra Costa

Name of Issue: County of Contra Costa, California, Taxable Pension Obligation Bonds, Refunding Series 2001

Date of Issuance: ________________, 2001

NOTICE IS HEREBY GIVEN that the County of Contra Costa (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 17.01 of the First Supplemental Trust Agreement, dated as of March 1, 2001, by and between the County of Contra Costa and BNY Western Trust Company, as trustee The County anticipates that the Annual Report will be filed by _____________.

Dated:_______________

BNY WESTERN TRUST COMPANY, on behalf of the COUNTY OF CONTRA COSTA

____

cc: County of Contra Costa

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY FOR THE INSURED 2001 BONDS

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER

BONDS

Policy No

Effective Date

Premium

FINANCIAL SECURITY ASSURANCE INC ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1 00 p m (New York time) on such Business Day, otherwise, it will be deemed received on the next Business Day If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW

In witness whereof, FINANCIAL SECURITY ASSURANCE INC has caused this Policy to be executed on its behalf by its Authorized Officer

[Countersignature]

By ______________________________

FINANCIAL SECURITY ASSURANCE INC

By ______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd
350 Park Avenue, New York, N Y 10022-6022

(212) 826-0100

Form 500NY (5/90)

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER:

Policy No : -N

BONDS: $ in aggregate principal amount of

Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the Insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14 2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer

FINANCIAL SECURITY ASSURANCE INC

By ______________________________

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd
350 Park Avenue, New York, N Y 10022-6022

(212) 826-0100

Form 560NY (CA 1/91)

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APPENDIX H

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX H

PROPOSED FORM OF BOND COUNSEL OPINION

County of Contra Costa
Martinez, California

RE: County of Contra Costa, California
Taxable Pension Obligation Bonds, Refunding Series 2001
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Contra Costa (the ''Issuer") of $107,005,000 aggregate principal amount of County of Contra Costa, California, Taxable Pension Obligation Bonds, Refunding Series 2001 (the "Bonds"), issued pursuant to Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") and a Trust Agreement, dated as of February 1, 1994, as supplemented by the First Supplemental Trust Agreement, dated as of March 1, 2001 (together, the "Trust Agreement"), between the Issuer and BNY Western Trust Company, as successor trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, an opinion of counsel to the Issuer, certificates of the Issuer, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the default judgment rendered on December 22, 1993 by the Superior Court of the County of Contra Costa in the action entitled The County of Contra Costa v. All Persons Interested, etc., No. C93-05180, filed November 12, 1993, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement. We call attention to the fact that the rights and obligations under the Bonds and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the Issuer.

2. The Trust Agreement has been duly executed and delivered by, and (assuming due authorization and execution thereof by the Trustee) constitutes the valid and binding obligation of, the Issuer.

3. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per